Report on

Financial Management Consultancy

On

Orissa Project, Parivar Seva Sansthan

Funded by : DFID

Volume I : Report

Jul-Nov'99

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by

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Chartered Accountants

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Volume I

(Main Report)

ACKNOWLEDGEMENTS

Advising on financial sustainability is like walking a double-edged sword. To that extent this assignment was not an easy one, however that's what has made this assignment challenging and satisfying. We, on our part, have made all the efforts to keep the report objective and sincerely hope that the issues identified in this report will help all the concerned in addressing the core issue of financial sustainability of male and female clinics.

We would like to thank DFID, Health Sector team, who have financed this consultancy, for reposing confidence in our abilities. We would particularly thank Anu Gupta for her constant support throughout the assignment and for coming to the rescue during certain difficult parts of the assignment. We thank Ann Bamisaiye for her incisive comments at various stages of the assignment. We would also like to thank Vijay Pillai and Manvinder Mamak for their valuable inputs.

We are extremely grateful to Ms Sudha Tewari and Mr Harbans Singh of PSS for their cooperation throughout the assignment. We would further like to thank Mr Harbans Singh for taking lot of pains and providing detail comments on the draft report. We would also like to say our thanks to Nutan Wozencroft who made special efforts and travelled all the way from UK to attend the management workshop and for her useful inputs in the course of the assignment. We would also like to thank all the personnel we met at the project and who put up with our constant questioning and probing.

We would fail ourselves if we do not spare a thought for those who have suffered in the recent super-cyclone in Orissa, particularly those associated with the project. We pray that Almighty give strength to the survivors to pick up the threads and start all over again.

November, 1999
New Delhi *SMA*

EXECUTIVE SUMMARY

This summary discusses major conclusions and recommendations arrived at through the financial consultancy.

A. INTRODUCTION

A1 PSS is implementing from April'97, a £ 4.97 million, reproductive health project in Orissa, in technical association with MSI. The project has been planned for six years and is funded by DFID.

A2 The goal of the project is to effect sustainable improvements in the reproductive health of women and men in selected areas in Orissa. This, it is doing through six operational modules. An important component of the project is establishment of sustainable male and female clinics in Orissa.

A3 Project has established one female clinic in Bhubaneshwar and one in Balasore. One male clinic has been established in Chennai, Tamilnadu, and the other is planned in Cuttack in Orissa.

A5 The project document identified certain mechanisms for achieving the sustainability of the clinics. It also required DFID to arrange for an expert's review of the financial management systems to provide reassurance on these mechanisms. Accordingly DFID engaged SMA to carry out this review.

B SUSTAINABILITY

CONCLUSIONS

B1 Projections of cost recovery for the clinics by end of the project, based on performance till PY2, indicate lower cost recovery as compared to OVIs specified in the Project document.

		PROJECTIONS BASED ON	
Clinic	OVI	PY2 performance	Project document
Bhubaneshwar Female Clinic	50%	43.03%	39.5%
Chennai Male Clinic	70%	5.81%	5.22%

B2 For the female clinic, if the project takes certain corrective actions as per the recommendations below, it should be possible to achieve the OVI target, otherwise, based on current level it may achieve this target by end of PY8.

B3 In case of Chennai male clinic it would not be possible to achieve financial sustainability, based on current income level.

B4 It may be noted that the OVI for cost recovery does not appear to be based upon the targets and budget expenditures included in the Project document. In fact the projections based on these figures appear to be closer to the projections based on PY2 performance.

B5 The project did not provide any plan on how to achieve the sustainability targets. This indicates that so far project has not systematically planned on how to achieve these targets. It explained that this has not been done as it was too early and would be done now.

RECOMMENDATIONS

B6 Project should prepare a plan with a view to achieving OVI of 50% cost recovery for the Bhubaneshwar Female clinic, including steps required to enhance average income per MTP.

B7 MSI, with its wide exposure, need to explore ways on how to make the project sustainable. At PSS level, ways should be explored to further enhance the income of the clinic.

B8 Considering the above conclusions, OVI of 70% needs to be revisited.

C COSTS OF REPRODUCTIVE HEALTH SERVICES

CONCLUSIONS

C1 It is important to know how much a reproductive service, that the project provides, costs. This becomes even more important in the cases of clinics, where these have to be financially sustainable.

C2 Presently PSS does not have a system of regularly arriving at unit cost of a service and comparing with a standard cost.

C3 PSS system of accounting is such that it is quite easy to capture each module's costs. It also has a MIS system, which captures the quantitative details of the services provided. Therefore it should be quite easy for the project to implement a unit costing system for services provided by it.

C4 Unit costs of services provided by the Female Clinic, Bhubaneshwar, and the Male Clinic at Chennai have been calculated. These are as follows:

Basis	Unit MTP Cost	Unit Consultation Cost
	Rs	Rs
Budgeted Costs	2353	1139
Actual for PY2	2290	1322
Actual for PY2-IInd half	1845	1107

C5 The costs arrived at confirm the trend that the unit costs for both the services are coming down.

Female Clinic

An MTP is the focus of the activities at a female clinic. These and the allied services constitute almost 85% of the income of the clinic. Therefore while calculating unit costs, an MTP has been considered as the base.

PY2 unit cost is only marginally lower as compared to the budgeted unit cost. This is because though the expenditure for the female clinic was substantially down (53% of the budgeted costs); number of MTPs (551) performed remained far lower than the target of 1000.

Reason for a substantial reduction (22%) in the unit cost of MTP in the IInd half is because a large number of the MTPs performed in PY2 have been done in the IInd half. Costs in the IInd half have also remained low, since a large portion of IEC costs were charged off in the first half.

Therefore it can be concluded that to further reduce the unit cost of an MTP (if the costs do not go up substantially), emphasis needs to be on increasing the number of MTPs to be performed.

Male Clinic

At the male clinic, the consultations and the associated services, such as pathological tests, etc. are the main activities. Even in income terms these constitute 91% of the clinic's total income. It may be noted that vasectomy as an activity has not picked up. Therefore unit costs have been calculated for a Consultation.

Unit cost of a consultation for PY2 is higher (16%) as compared to the unit cost based on budgeted figures. This is mainly because the consultations achieved during PY2 are 21% lower as compared to the target. However it may be added that the trend in IInd half is that number of consultations are going up.

Though ultimately it needs to be recognised that a unit cost of Rs 1107 for one consultation is far too high. A detailed analysis of costs, which make up this, needs to be looked into and steps devised to reduce these costs.

RECOMMENDATIONS

C6 A system of determining unit costs, at regular basis, for services provided by the project needs to be instituted.

D REPORTING TO DFID

CONCLUSIONS

D1 DFID's normal policy of advance is that it should be settled within 6 months. Presently advances given to PSS remain unsettled beyond this period.

D2 Major reason for this advance cycle is that advances are given for 6 months and it takes another 4 months (lead period) to complete the process of reporting and replenishment of funds.

D3 To reduce the advance cycle below 6 months, it is a must that present system of giving advance for a six month period needs to be amended. One proposal discussed was to reduce the advance period to 3 months from present 6 months. Both PSS as well as MSI have indicated their reluctance to this proposal on the grounds of capacity constraints. SMA is of the opinion that if exclusive staff is employed for accounting and reporting needs, complying with this proposal should not be a major hindrance.

D4 To reduce the lead period, one proposal discussed was to have 6 week reporting requirement (by MSI to DFID) for September, as the same is already being achieved for March. Again both PSS as well as MSI have opposed the proposal.

PSS has stated that it requires 45 days to complete the process. SMA has examined the work process and is of the opinion that PSS should be able to complete the process in 5 weeks, considering that accounting of individual modules is done on a monthly basis.

MSI has also stated that it will be difficult for it to carry out reporting in 1 week, as it has other commitments. It is presently doing it for March closing. It may be noted that MSI has 5 weeks in hand to complete its part of accounting, as

far as clarifications, etc. required from PSS, the same could be done much faster these days with faster means of communication.

D5 Other proposals discussed were for expediting the funds transfers. Both MSI as well as PSS are generally in agreement of the same.

RECOMMENDATIONS

D6 DFID needs to consider the criticality of settling the advances within 6 months, and if necessary should discuss the same with MSI and PSS, including the infrastructural needs of these organisations to meet any changes in the reporting frequency.

D7 Following timetable should be followed both for reporting as well as transferring of the funds:

Reporting

- **PSS to report to MSI within 5 weeks of the end of the accounting period.**
- **MSI to report within 6 weeks of the end of the accounting period.**

Transfer of funds

- **DFID to process the claim and submit transfer funds to MSI within 10 days of receipt of the report.**
- **MSI to transfer the funds to PSS within 5 days.**

E FINANCIAL MECHANISMS

CONCLUSIONS

E1 Accounting system at the modules is systematic with clear lines of demarcation and responsibilities identified.

E2 Project income funds have been transferred only once to an interest-bearing account since the inception.

E3 Present report on project income needs to be further improved.

E4 Project Support Unit Costs are charged on the basis of an adjustment entry in the accounts. The amounts are same as the budgetary provisions and not on the basis of amount actually incurred.

E5 PSS owns buildings where PMU, Bhubaneshwar Female clinic and other modules

are housed. It also owns the building housing Chennai Male clinic. Currently PSS is charging rent for these buildings based on the budgetary provisions.

According to PSS the rents have been decided on the basis of lowest of the following basis

- market rent
- capital cost to PSS
- budgetary provisions

Since submission of the draft report, PSS has provided certain documentation indicating the basis for deciding the rent amount. The documentation is very rudimentary. The document provided in support of rents decided for Bhubaneshwar buildings is neither dated nor indicates the period for which the rate is applicable. Similarly in case of Chennai clinic, only one document is provided. It offers a rent at Rs 15 per sq. ft., while the rent charged for Chennai clinic is higher. Though there may be reason for the same, justification is not documented. There is no documentation to indicate if the basis for return on capital cost to PSS has been considered at all.
The above survey of market rent is inadequate. An independent survey would be better.

RECOMMENDATIONS

E6 PSS needs to evolve a system, which ensures that funds generated from project income are transferred to interest-bearing accounts on a regular basis.

E7 A more comprehensive report, which not only covers the total income generated but also the status of total funds accumulated would be a better monitoring mechanism. A format is given as Annexure II to the report.

E8 DFID needs to ascertain if PSS can charge its support costs based on the budgetary provisions, or should these be based on costs actually incurred.

E9 PSS needs to obtain a proper, preferably, independent survey to determine the market rent, considering it is an interested party. As its PSS policy to consider return on its capital investment as one of the criteria, the same should be done and documented.

F MSI FINANCIAL ADVISORY ROLE

CONCLUSIONS

F1 Visits of MSI Finance Manager have been useful, as these have helped MSI in assessing and understanding the strengths and weaknesses of PSS's internal controls and finance systems.

F2 Finance Manager was required to make three visits till Mar'99, only one visit was made. Although since then, another visit has been undertaken.

F3 MSI is required to certify to DFID that all expenditures have actually and necessarily been incurred. There is no system of regular feedback to MSI on PSS's expenditure. In fact PSS utilisation statements do not accompany a similar type of certificate as provided by MSI to DFID.

F4 PSS provides on annual basis an audited statement of utilisation. The statement is stamped and signed by PSS's auditors, but no audit report accompanies the utilisation statement. There is no direct interaction between MSI and the auditors, to make them aware of the needs of MSI in this regard. Therefore it does not appear if the auditors would have considered these aspects while stamping & signing the statement.

F5 MSI and PSS have had a long association, and it is natural that MSI management has full trust in PSS management to provide a correct and authentic statement. While trust is important for a successful relationship, for reporting purposes a professional approach is essential. It is our opinion that any certification should be based on certain assurances, provided by appropriate mechanisms.

RECOMMENDATIONS

F6 MSI should continue its present role as defined in the project document.

F7 MSI finance manager's visits should be made on a timely basis as these help in capacity constraints of PSS.

F8 MSI should institute a mechanism that gives it more frequent and independent feedback on income and utilisation statements of the project.

ABBREVIATIONS

AIMS	-	AIMS Research (P) Ltd, Chennai
BCD	-	British Council Division
CBD	-	Community Based Distribution
CSMP	-	Contraceptive Social Marketing Programme
DFID	-	Department for International Development
EOP	-	End of Project
FCRA	-	Foreign Contribution Regulation Act, 1976
FD	-	Fixed Deposit (with a bank)
MIS	-	Management Information Systems
MSI	-	Marie Stopes International
MTP	-	Medical Termination of Pregnancy
OCP	-	Oral Contraceptive Pill
ODA	-	Overseas Development Administration
OVI	-	Objective Verifiable Indicator
PIP	-	Project Implementation Plan
PMU	-	Project Management Unit
PSS	-	Parivar Seva Sansthan
PSU	-	Project Support Unit
PY	-	Project Year
RBI	-	Reserve Bank of India
RHCM	-	Reproductive Health Communication and Motivation
RHW	-	Reproductive Health Worker
SMA	-	Subhash Mittal & Associates, Chartered Accountants
STD/ RTI	-	Sexually Transmitted Diseases/ Reproductive Tract Infections
STF	-	Subsidy Transfer Fund
TOR	-	Terms of Reference issued to SMA

C o n t e n t s

Volume I : REPORT

MAIN REPORT

Chapter		*Paras*
1	Introduction	1.1 – 1.5
2	Accounting Systems & Internal Controls	2.1 – 2.4
3	Financial Management Planning Mechanisms	3.1 – 3.4
4	Costs of Reproductive Health Services	4.1 – 4.6
5	Cost Recovery Objectives	5.1 – 5.2
6	Role of MSI Financial Management Advisory Services	6.1 – 6.2

ANNEXURES

	Annexure No.
Terms Of Reference	I
Income Reconciliation Format	II
Variance between Budget & Cash Flow forecasts	III
Report Preparation Time as required by PSS	IV
Remittance Flow Charts	V-A & V-B
Cost Recovery Calculations – Female Clinics	VI – A
Cost Recovery Calculations – Male Clinics	VI – B

Volume II : APPENDICES

	Appendix No.
General Correspondence	A
Comments rec'd on Draft report	B

1.1 BACKGROUND

1.1.1 PSS (Parivar Seva Sansthan) is implementing a six-year reproductive health project in the urban areas of Orissa, with technical assistance from MSI (Marie Stopes International). The implementation of the project commenced from April'97. DFID is funding the project to the sum of £ 4.97 million over the life of the project.

1.1.2 The project has seven modules. Each module represents a separate activity and has its own budget. The seven modules and the activity that they represent are as follows.

• Module 1 :	Female Reproductive Health Clinics at Bhubaneshwar and Balasore,
• Module 2 :	CBD(Community Based Distribution) Programme at Bhubaneshwar and Balasore,
• Module 3 :	Male Clinics at Madras and Cuttuck
• Module 4 :	RHCM (Reproductive Health Communication and Motivation) Programme at Bhubaneshwar, Balasore and Cuttuck,
• Module 5 :	CSMP (Contraceptive Social Marketing Programme) in Orissa *– since suspended*,
• Module 6 :	Research and Advocacy Project, and
• Module 7 :	Project Management Unit – at Bhubaneshwar Project Office - at Balasore

1.1.3 The first year of the project was referred to as preparatory phase, as during this year various steps to create necessary infrastructure, building of clinics, etc., have taken place.

1.1.4 The project is novel in its approach, as it has a clear phase-out strategy set within the project document. As part of this strategy it has been envisaged that clinics will ultimately achieve self-sustainability. The project document specified certain OVIs for the cost-recovery of these clinics.

1.1.5 Given the level of poverty in the area, the project document took a very realistic approach and did not expect the project to fully recover the recurrent costs. It also provided for a safety net for the poor, by providing for a subsidised treatment fund. However it recognised that there will be some capacity to pay and saw the need of tapping these resources. It proposed to accumulate these resources for utilising after end of the project.

1.2 NEED OF THE CONSULTANCY

1.2.1 Such strategies gave rise to concerns about the adequacy of the accounting system, which ensures proper management of fee collection and safeguarding of the funds for the purpose stated. It also had concerns on the cost recovery aspect

of the project, as non-achievement of these targets could effect the sustainability of improvements in people's reproductive health in the longer term - the project's goal.

1.2.2 The project document required ODA to arrange for a review of the financial systems, including the cost-recovery aspect by an independent consultant with skills and experience in auditing.

1.2.3 In accordance with the above requirement, DFID prepared a TOR and went for selection of a suitable consultant. It invited proposals from different organisations, who were not only having skills in the field of audit, but also a good exposure to the development sector. After an extensive selection process, which included submission of proposals as well as presentation to DFID officials, it finally selected SMA (Subhash Mittal & Associates, a Delhi based firm of chartered accountants) for the consultancy.

1.3 SCOPE OF THE CONSULTANCY

1.3.1 The scope of the consultancy is defined in the TOR. A copy is attached as Annexure I for ready reference.

1.3.2 It was further decided that SMA would examine only one female clinic and one male clinic, as a representative case for other clinics, and make its conclusions known on this basis. Accordingly Bhubaneshwar and Chennai clinics have been examined.

1.3.3 As most of the documents were available at the PSS, Delhi, it was decided that major part of the assignment would be conducted at Delhi. Field visits to Bhubaneshwar and Chennai would be undertaken to gain an understanding of the systems at the field and to interact with the people managing these systems.

1.3.4 Documents available at PSS do not incorporate the costs of MSI; therefore, these costs have not been looked into.

1.4 METHODOLOGY

1.4.1 SMA has used following tools in the process of fulfilling its responsibilities of completing the above task.

- studying of documents
- examination of records
- inquiry and extensive discussions
- analysis
- SMA's own cumulative exposure

Studying of Documents

1.4.2 The project document has been extensively referred to during the course of the consultancy. Certain correspondences made available by DFID highlighted the issues prevailing in discussions among the different agencies involved.

1.4.3 Studies conducted by AIMS Research for examining and recommending market entry strategies for Bhubaneshwar Clinic (KAP Study) and Chennai Male clinic were looked into to understand the basis for prices being charged for services at the clinics.

1.4.4 Earlier studies conducted into PSS's approaches of financing of its similar projects were looked for. A case study report by Preeti Dave in 1990 and sponsored by Ford Foundation was located. The indicators specified in the study though not very much applicable at present, was found to contain important references to general approach taken by PSS towards its clinics.

1.4.5 Documents were obtained from banks regarding the electronic transfer scheme. These were examined in detail to understand the scheme that presently is in operation and which expedites the transfer of funds particularly to remote locations.

1.4.6 A report issued by MSI after a review of financial management systems of Orissa Project was also studied to understand MSI's scope of review and its conclusions.

Examination of Records

1.4.7 Accounting records rec'd from the modules and entered at the Project Support Unit were reviewed on a test basis. The objective was to understand the system. Similarly records were examined at the module level during our field visits to understand the system followed at the module level.

1.4.8 Financial reports submitted to MSI by PSS were examined to understand the process of preparation of these reports.

1.4.9 Detail records were examined to gain knowledge about the procedures of transfer of funds and time taken in this process.

Inquiry and Discussions

1.4.10 It would be difficult to provide a list of a large number of PSS personnel met and interacted with during the course of the assignment. However main personnel have been PSS Managing Director, General Manager Finance and the support staff, Project Manager, PMU Incharge, individual module incharge and their support persons.

1.4.11 A number of persons provided their inputs from DFID. These mainly have been Project Support Manager, Sector Reform Advisor, Economic Advisor and Finance Officer at British Council.

1.4.12 There has been also good amount of interaction with MSI financial Controller.

1.4.13 Most of these discussions have been either through personnel meetings or through e-mails.

1.4.14 At the end of the investigative work, a management workshop was organised. Extensive discussions were held on the initial findings. Although not all comments made have been incorporated in the main report, however all the inputs

provided during the workshop and subsequently on the draft report have been considered while finalising the conclusions in this report. All written comments rec'd from MSI and PSS are attached to this report as Appendix.

Analysis & SMA's experience

1.4.15 Analysis of various observations made during the study was carried out to arrive at findings. While carrying out this analysis the consultant, S.Mittal, drew heavily upon his own experience of almost two decades. (Cumulative experience of the team would be higher.)

1.5 REPORT FORMAT

1.5.1 Apart from this introductory chapter, which mainly covers the background and the need of the consultancy and the methodology adopted, there are 5 more chapters. In each chapter issues are discussed, observations about these issues made. An analysis is also carried out based on different viewpoints rec'd during the consultancy and finally recommendation has been made to correct the situation or to remove the anomaly.

1.5.2 In Chapter 2 results of a review of accounting systems are given. The chapter describes the present financial systems and procedures, including the accounting policies adopted by the project. The chapter also reviews the major accounting policies adopted by PSS and discusses some of these in detail. The chapter also covers the monitoring mechanisms, both internal and external, in-built into the accounting system of PSS.

1.5.3 Chapter 3 covers Planning mechanisms that PSS has instituted. It also covers the present difficulties faced by DFID in having advances remaining outstanding for long. Reasons for these gaps have been looked into and possibilities explored on how to reduce this time gap.

1.5.4 In Chapter 4 issues relating to unit cost-calculations of clinical services provided under the project. Unit costs for these services have been calculated under this study based on certain average method of calculation. The purpose is not to recommend this particular basis, but to raise the issues relating to concept of having a costing system.

1.5.5 Chapter 5 covers the core area of this consultancy, that is, the cost-recovery aspects of female and male clinics. It looks into the likely cost-recovery targets for the clinics by end of the project. It discusses in detail the method adopted for calculating the cost-recovery and reasons thereof. It also suggests corrective steps necessary to in light of the findings.

1.5.6 Chapter 6 covers review of finance management advisory role of MSI in the project. The review covered the role as performed by MSI till now and examines the role in the light of present needs and finally gives recommendations for the future role of MSI in the project.

2.1 ACCOUNTING SYSTEMS

PSS has its accounting centralised at its Delhi office. This office is also known as Support Office by its Orissa Project.

2.1.1 Bank Accounts

Orissa Project consists of seven modules. Each module has an expense bank account, through which operational expenses are incurred for the module. Each module is given an initial imprest amount based on the monthly fund request. A single signing authority operates these accounts. The authorised signatory for all Bhubaneshwar modules is the PMU Incharge, while in case of Balasore modules it is the Project Incharge Balasore.

The funds for operations are replenished based on monthly cash forecast request prepared by the Module Incharge.

Only PSS Support Office can operate the Income accounts. Present authorised signatories for these accounts are either the Managing Director of PSS or the Finance Manager.

Observations

a) MSI finance team has evaluated the risk towards project funds in banks at different modules as medium. Presently all expense accounts for the modules in Bhubaneshwar for the bank are operated on the basis of a single signing authority of the PMU Incharge. These accounts do have Project Manager as the other signing authority, however, as he is based at Delhi, it is not practical for the two to work as joint signatories. Therefore in most cases PMU incharge is effectively the sole signing authority. Individually funds availability in these accounts are low, however considering PMU Incharge is the signing authority for all the expense accounts; combined exposure of the project becomes much higher.

b) Even the income bank accounts, which normally have large funds, are having single signing authority.

Analysis

It has been argued by the project management that as per their experience they have never had any problems in past with single signing authority. Though experience is an indicator, however it may be said that considering PSS deals with public funds, it is important to incorporate in its system necessary precautions.

Recommendation:

- **To lower the risk-assessment, it is recommended that bank accounts have joint signing authorities. One suggestion, especially in case of expense accounts, is that the module Incharge be considered as the second signatory. This will help not only in increasing the sense of ownership among the module-incharge, but also help in developing a second level of leadership at the project.**

2.1.2 Income

The following modules have income generation through its activities. The income amounts are deposited in separate income bank accounts. Each module has a separate income account.

- Female Clinic
- Male Clinic
- Reproductive Health Communication and Motivation
- Contraceptive Social Marketing Programme
- Community based distribution

The following system is followed for recording of income in different modules:

a) *Female Clinics*

These have large cash receipts. Each time cash is received; it is evidenced by a pre-numbered receipt issued to the client. The receipt is prepared in two copies, the original is given to the client and the carbon copy is kept with the office. The receipt books are pre-bound and consist of 25 pre numbered receipts. Each receipt book is serially numbered and the Head Office issues receipts to the Field offices according to the serial number. At the end of the month the receipt books used during the month are sent to Support Office and any receipts remaining unutilised in the receipt book are cancelled. This system helps in ensuring that none of the receipts are misused.

At the end of each day an income statement is prepared specifying the receipt numbers issued during the day and the total income generated from each receipt during the day. This helps in cross verifying the income of any day.

The income generated is deposited in the bank the following day in Income Account. No withdrawals are permitted from this account. The signing authority for this account is with the support office Delhi. Different cash boxes are used for income and expense. Since the officials in Field Office cannot operate the income account, it helps in ensuring that there is no misuse of the income.

From the daily income statement entries are made in the monthly income statement under various income heads. The branch In-charge authenticates this income statement before sending it to the Support Office at Delhi along with the utilised receipt books. The monthly statement helps in reconciling the income figure from the daily income statement.

b) *Contraceptive Social Marketing Programme*

In this module most of the receipts are in the form of cheques and demand drafts. A receipt is given to the payee for every instrument received although no preprinted receipts are issued. A computerised register is maintained for recording of income under this module and the entry for receipt of cheques is passed through this register. In case of any cash receipt a pre-numbered receipt for the same is given.

c) *Community based Distribution*

Income is tallied on the basis of daily report submitted by the CBD workers and verification of the stocks lying with them. No pre-numbered receipts are issued since there are no major cash receipts. The amount is deposited in the bank depending upon the money collected. In case large amount is not collected, the amount is deposited only as and when a material amount is collected. This helps in keeping a check on the amount collected by the CBD workers.

d) *Reproductive Health, Communication and Motivation*
There are no major income generated from this module. No pre-printed receipts are issued for income; however, a register is maintained for recording income of this module. This register also helps in tallying the amount of income generated from various centres in the industrial areas

e) *Male Clinic*
The same procedure as followed in female clinic is followed at Male clinic, Chennai.

2.1.3 Purchases

a) *Medical Supplies*
The purchases of drugs and other medical supplies at the beginning of the project were made after inviting quotations from various suppliers but now the suppliers are fixed and purchases are made locally at Bhubaneshwar and Chennai.

As soon as the drugs are received an entry is made in the register and a stamp is affixed on the drugs register by the nurse indicating the page no. and the date on which stock is received. The counselor also checks this register.

b) *Capital Equipment*
For every purchase of capital equipment, the field office obtains three quotations from different suppliers and prepares a comparative statement. The quotations alongwith the comparative statement are then sent to Support Office.

At Support office these are first approved by Project department and then by the Finance department.

After the approval from support office is received, the purchase is made.

2.1.4 Physical verification of Stores and fixed assets

a) *Stock and Fixed Asset Registers*
Every module maintains a stock register. Each time a stock-item is received or issued an entry is made in this register.

Each module also maintains a fixed asset register.

b) *Physical verification*
Stock is physically verified by the module incharge every month.

Similarly assets are also physically verified every month. The Support office staff also carries out physical verification of the assets every six months on their visit to the field office.

2.1.5 Monthly Accounting Reports

In PSS accounting system each module is an independent unit, having separate books of account and Trial Balance. Each module prepares its monthly accounting

reports, which are sent to the Support Office. This accounting reports essentially consists of :

- Imprest sheet - is prepared at the month-end for each module. It gives a summarised information of expenses, incurred under various heads during the month at a glance,
- Supporting - attached for each payment,
- Income Sheet - is prepared for each module having income. It gives column-wise summary of income received from different services during the month.
- Fund request - for the coming month. It is based on an anticipated cash-flow forecast for the coming month.

The respective module incharge prepare the monthly accounting reports, as described above, with assistance from the PMU accountant.

The monthly accounting reports for different module activities carried out at Balasore are prepared by the accountant at Balasore and verified by the Project Incharge.

The Clinic Incharge prepares the monthly accounting reports for Chennai Clinic.

The monthly accounting reports for each module at Bhubaneshwar and Balasore are sent to PSS Support Office through PMU. Similar information for Chennai Clinic is sent directly to the Support Office, Delhi.

Observation
Accounting system at the modules is systematic with clear lines of demarcation and responsibilities identified.

2.1.6 Accounting at PSS Support Office

A Master sheet for each module is prepared at the Delhi Office. This master-sheet facilitates identification of different expenditures under various expenditure-heads. Entries, which are normally passed at the Support office level, are included in this master-sheet. On the basis of this master sheet a single voucher is prepared for each module. The voucher for each module is then entered into the accounting software.

The support office coordinates the information received from various modules and enters the same on a software accounting package called 'VISIPAK'.

Separate, computerised, books of accounts for each module are maintained at PSS.

Funds collected in the income accounts are converted into a FD, as and when the Support Unit considers that a substantial fund has been accumulated in the income accounts.

Observations
Presently funds from the income account are transferred to an interest bearing Term Deposit a/c only when a substantial amount is accumulated. Since the beginning of the project, only once this exercise has been done. On 8-2-99 a Rs 20 lakh FD was created against income of CSMP module.

Total cumulative income till March'99 is more than Rs 45 lakhs.

Analysis
Considering all income that is generated, including the interest on such income, will help the project in achieving goal of self-sustainability after the end of the project, project management needs to try to maximise even the interest income.

PSS has expressed a doubt if the interest income would need to be refunded to DFID as normally required, in case of interest earned on the grant amount. In this regard it may be noted that the interest is being earned against the project income and not against the grant. Since the project income itself is available for the use of project at the end of the period, even the interest earned on such income normally should be available to the project after the end of the project. It may be further noted that the project document itself provides that all project income should be put in interest-bearing term deposit accounts. However if required final clarification in this regard needs to be obtained from DFID. Even in an unlikely eventuality where the funds need to be transferred to the DFID the fact remains that the objective of maximising the fund generation should be followed.

PSS has since informed that it has obtained the necessary clarification from DFID for investing the project income in the interest-bearing deposits.

Recommendation:

- **PSS needs to evolve a mechanism which enables all funds generated to be transferred to a FD account on a regular basis, either on a quarterly or at least on a half-yearly basis.**

2.1.7 Reporting

Reporting to DFID through MSI is done at the end of each six-month. A report is required of grant utilisation. The report format is prepared on a spreadsheet software, using the data from the individual books of account of each module. A similar audited statement is also submitted on an annual basis.

Observations
Present system of reporting mainly covers utilisation of grant. Reporting on project income has recently been added. The project also deposits funds out of this income into term-deposits. However the scope of present reporting does not cover how much of the project income has been converted into deposits and their status.

Analysis
Considering project has generated large amount of funds and these have to be converted into term-deposits, it is quite likely that for the remaining part of its life, the project will have large value of fixed deposits. The project document also considered preservation of these deposits as a major risk area. Accordingly steps need to be taken which ensure that there is a regular reporting and monitoring of this aspect. This process would enhance the transparency of preservation of income generated by the project, as presently only income generated is being reported and not the status of the related funds.

Recommendations:

- **It is recommended that the report on project income be further expanded to give status of the bank balances of income accounts and fixed deposits created out of this income. A suggested copy of the report format is given as Annexure II. On an annual basis the report to be submitted should be audited.**

2.2 ACCOUNTING POLICIES

2.2.1 PSS follows cash basis of accounting policy.

a) Project Support unit costs are being charged based on the budget.

Observations

- Generally cash basis of accounting is being followed, however in case of Support office costs, these are charged to the project on the basis of an adjustment entry. The amount is same as provided in the budget.

- As per a letter of 12 July 1996 from Administration Dept. of ODA, MSI is required to give a certificate alongwith each expenditure statement that the expenditures included in the statement have been actually incurred. Given below is an excerpt from the required certificate

'I certify that all the amounts detailed above have been actually and necessarily expended under the grant...'

- The project document provides for a budget of Rs 1,01,90,000 for the costs of PSS support functions, across various activities. (since discontinuation of CSMP after Sept'99)

Analysis

Presumably if MSI has given the stated certificate, it is on the assumption that all expenditures incurred by PSS have actually and necessarily been done so. However as the budgeted amounts have been transferred to PSS for the support unit costs based on an adjustment entry, from the project books it cannot be stated if the expenditures claimed have been actually and necessarily been expended. PSS is of the opinion that these costs cannot be subject to review as these have been 'deliberated and frozen'. However, in our view, all costs are subject to the overriding principle of being actually and necessarily being incurred.

Though there can be another argument that the total costs provided in the budget for PSS support costs is a consultancy charge towards providing a service by the PSS, irrespective of the expenditure incurred by PSS. The fact needs to be determined based on the understanding arrived between the partners at the time of finalisation of the project document. Necessary documents may have to be referred to establish the same. Of course in this regard normal practice followed by DFID in other projects may also be indicative of the practice which needs to be followed in this project.

Recommendations:

- **DFID needs to ascertain the correct basis of PSS support costs agreed to. In case the expenditure should be on actual basis, then it is recommended that in future charging of costs for the Project Support Unit be based on actual identifiable costs. Even for the past, PSS needs to provide details of costs incurred on the similar basis.**

b) Rent at present is being charged based on the budgeted amounts.

Observations

PSS charges rent from the project for the buildings owned by it. These amounts in PY1 and PY2 were charged on a lower level as earlier all the modules were operating from the same building but in the cash flow forecast of PY3 they have been projected at the budgeted level. As per the explanation provided by PSS, the rent was decided on the basis of market price. No documentation is available for the same. It has also taken a security deposit for these buildings from the project.

Since submission of the draft report, PSS has submitted two documents one handwritten note from one Shri LN Barik, based at Bhubaneshwar and the other a letter from the earlier owner of building where Chennai clinic is located.

In case of Shri Barik, the handwritten note is not dated. The note states that in commercial area rent will be approx. Rs 15 per sq. ft., while for the residential area rent would be approx. Rs 5 per sq. ft. The document does not contain any specific offers / instances to support the rates quoted and for which period it is relating to.

In case of Chennai clinic, a copy of letter by one Mr. Rajasekar is attached which makes an offer of Rs 15 per sq. ft for a 3-year period from 1-6-96.

Analysis

It is quite clear that project should be charged same rent as it may have to pay to an outsider. Thus adopting an arm's length principle while dealing with properties belonging to PSS is quite an obvious choice. Even PSS is aware of the same, that is the reason it has stated that it is following market price in deciding the rent amount, subject to the budget amount. Though there is no documentation to support if an independent survey of market rent has taken place. In fact it must be said that it would be very difficult for PSS to carry out an independent survey, as it is an interested party.

There is no motive in making this observation (as stated by PSS in their comments), except for stating the obvious. For example, any inhouse evaluation of a project will be less creditable as compared to an outside evaluation. This is the basic principle followed in appointing an outside and independent auditor, and not because there is any doubt on the integrity of the auditee organisation.

Though there can be an alternative to market prices. Rent should be such that it provides PSS, certain optimum return for its investment in the buildings. It is a fact that the primary responsibility of implementing the projects is with PSS, as DFID is a funding partner in the project. In fact once the funding period is over PSS will need to continue, at least certain critical parts of the project, either on its own or through another funding agency. Hence PSS has a far longer stake in viability of the project. PSS has invested in the buildings mainly with this objective of continuity.

PSS has invested its surplus funds which otherwise would have earned it certain minimum return, therefore any rent that is decided should cover at least this minimum return, plus a certain percentage for wear-tear in the buildings. One suggestion in regard to this percentage could be to use the same rate as offered by the Income tax authorities, i.e. the annual depreciation rate on buildings. This method has the advantage that it would guarantee PSS with certain minimum rent, even if the market prices were reducing. This could be justified that PSS is not in the real estate business, but has purchased the property in the interest of the project, and therefore needs to be safeguarded from the vagaries of the market.

Recommendation:

- **DFID and PSS need to agree on one of the two bases for charging rent in the project books. A basis once decided should be followed on a consistent basis.**

c) **Observation**

MSI support cost has not been analysed as part of this consultancy, since the relevant information and documentation were not available at PSS. This was also not part of TOR as it covered the accounting systems at the project.

2.2.2 Other major accounting policies followed by the project

All fixed assets purchased with a value of Rs 2,500 and above are listed in a memorandum fixed asset register.

The module Incharge needs to obtain sanction from the Support Office before purchase of a capital item. Different levels of sanctioning authority have been fixed by the project.

2.3. INTERNAL CONTROL MECHANISMS

2.3.1 Control Mechanisms at project

The PMU in-charge at Bhubaneshwar individually reviews all expenditure supporting and authorises the same.

All the monthly accounting reports, including cash-forecasts, prepared by the individual modules are reviewed and authorised by the PMU In-charge. Exception is the CSMP module, where the concerned module Incharge authorises these reports.

Surprise as well as planned visits are made by PMU to different modules to verify the activities undertaken.

Expenditures at Balasore were earlier being reviewed and authorised 100% by the PMU Incharge, who used to travel frequently to Balasore. This control mechanism is now decentralised, whereby these activities are now performed by the project Incharge, Balasore. Though the monthly accounting reports will still be routed through PMU.

2.3.2 Control Mechanism at PSS Support Office

As explained in the earlier sections, accounting information from various modules are sent to PSS Support Office in Delhi from all the modules. The Support Office verifies this information. Queries are often raised on various aspects. The Support office also reviews cash-flow requests, bank reconciliation reports, etc. submitted by the modules.

The PSS accounts official from Support Office visit Bhubaneshwar office twice in a year, once in October and the second time in April. All pending queries are resolved during these visits.

Observation
Complete checking of monthly accounting reports, rec'd from all the modules, is done at the Support Office. However it was observed that no confirmation in the form of initials or signature of the person carrying out this very important step is available on the documents reviewed.

Recommendation :

- **Considering the criticality of this control, it is recommended that person responsible for such function should indicate through his initials/signatures, that the review has been completed.**

2.4. EXTERNAL CONTROL MECHANISMS

2.4.1 Annual Audit

The statutory auditors 'D.Bhatia & Co.' carry out the annual audit of the project. It appears that the audit is mainly to comply with the statutory aspects of the audit. Based on this audit, the yearly audited expenditure statement is submitted to DFID.

2.4.2 DFID

Certain limited checks like fixed assets verification, etc. are also carried out by DFID officials, however it may be noted that the check is very limited in scope and no specialised personnel are involved in this exercise.

2.4.3 MSI

As per the project document, visits also have to be made at regular intervals by MSI to assist PSS both in financial and technical matters. The following visits were made by the MSI since the beginning of the project.

Technical visits

Chris Hines made a visit from 27 May 1997 to 4 June 1997. Orissa project was also covered in her visit and she made certain recommendations.

Financial Assistance Visits

Financial Controller, MSI made a visit to PSS during June 1999. She also visited the female clinics of Bhubaneshwar and Balasore, and the male clinic at Chennai. A report has been made available during the course of this consultancy. The report has reviewed the internal controls prevalent at the project. Full particulars of MSI visits and the scope are covered under the chapter on review of MSI role.

3.1 BUDGETING

Budgeting was carried out by PSS while preparing the project document for the entire project period. Most of the figures stated in the project document have remained intact, except for certain changes made in the Balasore Female Clinic module, Bhubaneshwar RHC&M and the Chennai Male Clinic.

Though the project currently does not formally prepare annual budgets, however activity targets for individual modules are prepared at the beginning of the year. Based on this, the project prepares half-yearly cash-flow forecasts, as required by DFID.

3.2 FUNDS FLOW FORECASTING

3.2.1 Reporting

PSS submits the expenditure statement for every six months to DFID. Along with the expenditure statement for each six-month, funds flow forecast for the next ten months (six plus four) is submitted. Both the statements have to be sent within six weeks of half year ending September and within five weeks of half year ending March.

3.2.2 Process of preparing the forecast

The Finance department at Support Office prepares the funds flow forecast. The budget as given in the project document is kept as a basis of preparing the funds flow forecast. Inputs from all the modules are taken for preparation of these statements. Any anticipated expenditure during the next ten months is considered.

3.2.3 Variance Analysis

i) Variance between Budgets and the Cash Flow forecasts

An analysis of the funds flow for the half year ended on 30th September 1999 was conducted. Variance between the Funds flow forecast and the budget was derived. The variance report is attached as Annexure III.

The variances between the budget and the funds flow forecast was mainly due to the following reasons:

a) In case the expenses are directly related to level of activities, especially in case of salaries, the amount forecasted is less than the budgeted since the current level of activities is less than the budgeted level. Salaries are forecasted on the basis of present staff levels, plus any anticipated additions. For example, salaries cost for female clinic module for half year ending Sept'99 was 7.10 lakhs as compared to the budget of Rs 9.47 lakhs.

b) As DFID's policy is to ask for reasons for any variation in expenditure which is above 10%, therefore as explained to us, while preparing the cash forecasts, general expenses are reduced by 10-15% from the budgeted level. PSS has found from its experience that this approach normally gives accurate results.

Combination of both the factors described above is the reason that PSS forecasted its overheads at much lower level than the budget. For example, general overheads forecast for RHCM module at Rs 1.46 lakhs was almost 25% lower than the budgeted amount.

ii) Variance analysis between actual expenditure and the funds flow forecast

Observation
The project is currently not in practice of preparing variance analysis between the actual and the planned expenditure. Though a statement for the period Apr'98 – Mar'99 was specifically prepared for SMA during the consultancy, however it did not contain any reasons for the variation.

Analysis
The process of preparing a Variance Analysis statement between the actuals and the planned expenditure will help the project management in analysing and understanding the issues underlying these variances in a timely manner. It will also enable the project to take corrective measures wherever required.

Recommendation :
- **Project should prepare a Variance Analysis Statement between the actuals and the forecasts on a regular basis.**

3.3 REPORTING TO DFID

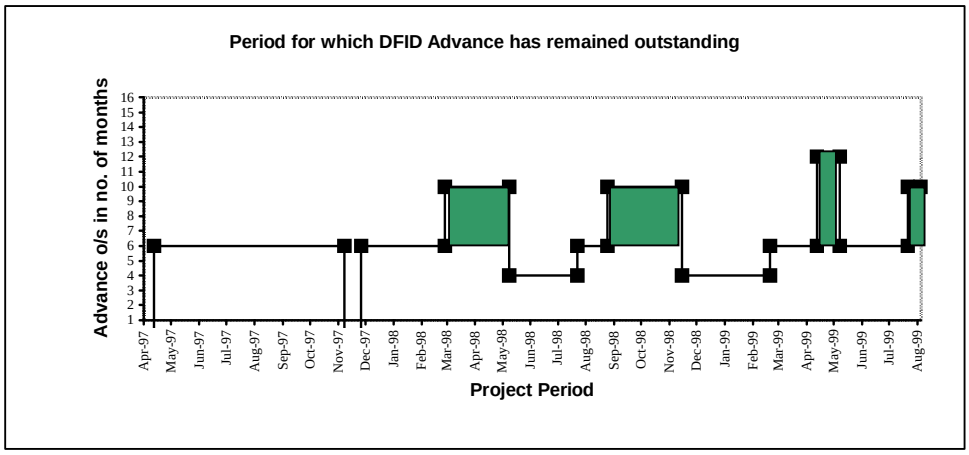
At present PSS reports its expenditures to DFID, through MSI, on a six-month basis.

3.3.1 Unsettled Advances:

Alongwith the six monthly expenditure statement, a forecast is also submitted for next ten months. This represents advance for next ten months expenditure. Initially this forecast was restricted to six months expenditure, however PSS found that it takes four months from the end of the last reporting period before the funds reach the module level (lead-period), accordingly an additional forecast for four months is also prepared now.

One of the concerns shared by DFID during our briefing was that an advance once given remains unsettled for long periods. DFID follows a policy that advances are to be settled within six months. The TOR also refers to timely process of financial reporting which directly affects the settlement of the advance. The basic premise of this policy is that longer a fund remains outstanding, the higher is the financial risk, that DFID or for that matter any other organisation is exposed to.

An analysis was done into how long an advance once given to PSS remains outstanding in terms of number of months. To facilitate the understanding of the problem results have been plotted on a chart. The y-axis of the chart represents number of months that the advance amount has remained unsettled. While the x-axis represents the project period from the beginning till the time of this consultancy. As can be seen from the above chart the advance has generally remained outstanding for at least a minimum of six months. There are periods when the advance has remained outstanding for ten months. For a short period in April'99 this period went upto 12 months.



The above calculations are based on certain assumptions. Major one is that the life cycle of an advance begins when funds are rec'd in PSS's bank account and ends with the dispatch of the relevant expenditure statement. Though this is not strictly correct, as both funds as well as the expenditure statements are routed through MSI, hence in all certainty the advance amount remains outstanding for longer period. However considering that detailed data for this study is based on PSS's accounting records, it had to be limited. The aspects of funds remaining with MSI have been covered under the lead-period of the advance (see para 3.3.2).

As stated above, the advance cycle can be broadly divided into two parts. First part is the period for which an advance is given, for example, a 6-month advance given on 1st April will last till 30 September. The second part of the advance cycle is the part which is called lead-period and starts when the part I ends (30th September in the given example) and finishes when the expenditure report reaches DFID.

To reduce the life cycle of an advance both these parts need to be considered separately.

3.3.2 Lead Period

PSS found that it takes almost four months from the end of first part of the advance period till the funds reach its module bank accounts. This lead period certainly appears to be very long and all concerned need to make effort to reduce this long lead period. Towards this end, DFID made certain initiatives. In a letter issued by it on 10 October 1997, certain target dates were suggested based on anticipated time-period that each concerned agency would take in performing their part of the duties. These are given below alongwith the actual time taken.

Target Dates

Activity	*Target period*	*Actual*	*Agency*
Submission of Financial Report to MSI *(for Sept. Rpt.)*	6 weeks	6 weeks	PSS
Submission of Financial Report to BCD *(for Sept. Rpt.)*	2 weeks	3 weeks	MSI
Submission of Financial Report to DFID	1 week	1 day	BCD
Processing of report and release of next advance	2 weeks	2 weeks	DFID

It may be noted that for March ending PSS is required to take 5 weeks, for submission of report to MSI. Similarly for submission of report to DFID, MSI is required to take 1 week. This is mainly because DFID's financial year closes at the end of March and it needs to incorporate actual expenditure incurred till this date in its final accounts, therefore DFID has enforced a stricter reporting date.

The lead period essentially consists of two activities:

- Report preparation process
- Fund processing time by DFID and receipt of funds by PSS

In a perfect situation the expenditure report of an advance would reach DFID on the next day after the end of the advance period, and the next lot of advance funds would reach PSS on the same day. Obviously that is not possible in a practical situation, as a number of activities have to be performed before all that can take place. However it should be the endeavour of all concerned that activities necessary to be performed during this lead period are done expeditiously.

i) Report Preparation Process

Report Contents

PSS sends a columnar module-wise report of its expenditures. The report in this format is facilitated by PSS's method of module-wise bookkeeping. All expenditures except MSI's costs are included in the cost statement. A similar module-wise statement of cash-flow forecasts is also part of the report. Information on total available grant funds at the beginning of the period and the funds actually rec'd during the reporting period is also provided with this report.

Observations

a) Preparation process of this report was discussed with PSS officials, who have provided us with an estimate of time schedule (see Annexure IV) that PSS normally takes in processing and preparation of the report. As per this process around 39 working days are required by PSS for making the report. PSS has further clarified that to meet the reporting target dates, PSS makes special effort both at March as well as at September, when it sends its a team to Bhubaneshwar to expedite the process and meet the target dates.

b) PSS carries out monthly accounting of all modules, therefore most of the accounting work would already be complete at the time of reporting. Major work remaining outstanding is the last month's accounting and the unsettled advances or any unsettled queries that the Support Office has at the time of the half yearly reporting.

c) When one examines the time schedule provided by PSS, there appear to be a number of areas, which could be expedited. For example, after the local team at the modules level has already taken 10 working days, it is rather on high side for the Support unit team to take another 12 working days for review. Similarly taking 17 working days to complete work at HO when a team from HO has finalised the figures at the project site seems rather excessive. It appears that a number of processes listed at Support Unit could easily be performed in lesser period.
d) One of the major reasons offered by PSS in its support for so much time to be taken for report preparation is that they have other obligations and need to look after these.
e) PSS and MSI have indicated that it would be very difficult for them to further reduce the report preparation process.
f) PSS has been able to meet the target dates of report submission to MSI, both for September as well as March.
g) PSS does not have suitable software, which provides a consolidated statement of income & expenditure; this is done separately on a spreadsheet-based programme. This requires reentering of data arrived from individual modules from the accounting package.

Analysis

The above comments have been based on the facts presented by PSS. SMA does believe that report preparation is the responsibility of the management, and each management has its own style of functioning, therefore it would not be proper to comment on the number of days PSS management requires, to prepare its financial reports. However it may be stated that it is a normal practice for a 'reporting organisation' to comply with the funding organisation's policies. In SMA's own experience, it has dealt with projects, which report to the concerned funding agency within 11 days of the reporting-period and that too on a monthly basis.

Considering that PSS & MSI are able to meet a stricter target date for its March reporting, it should be possible for them to meet the same time frames for September reporting as well. This is particularly so considering that there are no known special requirements for each of these agencies that they need to carry out for September reporting. In fact it can be said that the March reporting may require some special effort, as it involves annual closing on the part of PSS.

The reporting partners' reluctance, to commit for a reduction in the process of report preparation, is indicative of certain capacity weaknesses. This appears mainly due to lack of an exclusive team of accounting persons who are solely responsible towards the Orissa project. In the final analysis, SMA with its own experience strongly feels, that it is the responsibility of the reporting agency to create necessary infrastructure, whether in the form of personnel or the necessary system, within its own organisation, so that it can meet the requirements of the funding agency. Though, if necessary, it may request for the necessary support from the funding agency.

Recommendations :

- **Target dates for report submission for September should be same as for March, i.e. five weeks for PSS and one week for MSI.**

- **PSS & MSI need to take steps to create an adequate infrastructure for ensuring that they are able to meet the proposed changes in reporting requirements.**

ii) Transfer of funds

Funds once transferred to MSI by DFID are further transferred to PSS, FCRA A/c at New Delhi. From here PSS transfers these funds to its main a/c at Delhi and then to a Project main a/c at Bhubaneshwar.

Time actually taken during this process was analysed in case of two remittances rec'd by PSS. These remittances were made against advance requests for 6 months ended on March'98 and September'98. Two flow-charts, one for each remittance have been prepared. The charts depict the movement and the time-period taken for each of this movement. The charts are marked as Annexure V-A & V-B.

Major stages of transfer of funds and the actual time taken during transfer of 1st instalment of two remittances examined are given below:

Stages of Fund Transfer	Time taken	
	Mar'98	Sep'98
Transfer from MSI to PSS, FCRA A/c	7 wks	9 wks
Transfer from FCRA A/c to PSS, Main A/c	1 wk	2 wks
Transfer of Fund to Bhubaneshwar Main A/c	1 wk	*
Clearing of cheque at Bhubaneshwar Main A/c	3.5 wks	2.5 wks
Transfer of Fund to Balasore	1 wk	*
Clearing of cheque	3.5 wks	2 wks
Transfer of Fund to Chennai from PSS, Main A/c	1 wk	4 wks
Clearing of cheque	2 wks	2 wks

(*): Funds were transferred before the receipt of remittance, hence cannot be compared.

Observations & Analysis

Transfer of funds from MSI to PSS, FCRA A/c

a) Transfer of funds from MSI to PSS has taken significantly a long period, 7 and 9 weeks respectively for the two remittances examined. Considering funds are transferred from MSI to PSS through wire-transfer, the process of transfer of funds should take minimal time.
b) MSI representative at the management workshop stated that in past there have been some bottlenecks at their end in transfer of funds, however it has taken steps to correct this position. She further committed that in future it should not take more than a week for the funds to reach PSS, after MSI has received the funds.
c) A suggestion has been made if the PMU part of the funds can be directly sent by MSI to PMU, Bhubaneshwar. It may be noted that due to FCRA restrictions the same would not be permissible, as all foreign funds need to be credited to the FCRA A/c.

Recommendation :

- **Funds should reach PSS, FCRA A/c within 5 days of receipt of funds by MSI.**

Transfer of funds from PSS, FCRA A/c to PSS Main A/c at Delhi

d) Transfer of funds from PSS FCRA A/c to main A/c has taken 1 and 2 weeks for the two respective remittances examined. This appears to be on the higher side considering the accounts are local and local clearing does not take more than 3 working days at the maximum.
e) PSS has stated that it is because they do not receive advance intimation from MSI of funds transferred to PSS.
f) PSS has stated that for its accounting needs, it first transfers all the funds to PSS Main a/c, before again transferring these to PSS Main a/c Bhubaneshwar & Chennai. The accounting process may require re-examination, so that it is possible to directly transfer the funds from FCRA A/c to the PSS main a/c at Bhubaneshwar & Chennai.
g) Legality of transfer of FCRA funds from FCRA bank account to non-FCRA bank account needs to be considered, unless the project has a special exemption from certain provisions the relevant Act. [Refer an article on FCRA entitled 'The NGO Factor' by Subhash Mittal, published in October issue of official magazine of the Institute of Chartered Accountants of India.]

Recommendations :

- **MSI should intimate PSS, in advance, of transfer of funds to PSS FCRA account.**

- **Direct transfer of funds from FCRA A/c to PSS Main A/c Bhubaneshwar & Chennai should be considered, as it will further reduce time taken for funds to reach the modules.**

- **Considering the two accounts are subject to local clearing, transfer of funds from FCRA A/c to PSS, Main a/c at Delhi should be immediate, i.e. a maximum of three days.**

Transfer of funds from PSS Main A/c at Delhi to project bank accounts

h) PSS transfers its funds from PSS Main a/c at Delhi to Main a/c at Bhubaneshwar. The purpose of this transfer is to enable modules to receive funds on a monthly basis and also to issue salary cheques for the staff at the modules.

i) The funds are transferred to the module accounts from the main a/c at Bhubaneshwar on a monthly basis. The amounts transferred normally are not in large amounts.

j) Present practice of transfer of funds through sending of cheque from Delhi to Bhubaneshwar takes a long time, therefore alternatives need to be explored.

k) SMA has found out that using TT transfer facility in this regard may be quite useful. Though under this scheme both the remitting bankers and the destination bankers must be the same. Another alternative may be of using Electronic Fund Transfer scheme. Under this scheme remitting bankers and the destination bankers need not be the same. This is a RBI approved scheme.

Recommendations :

- **PSS has a system that enables it to know the funds required at PSS, Bhubaneshwar. These funds should be directly transferred to PSS main a/c at Bhubaneshwar and not via PSS Main a/c at Delhi. This would help in reducing the overall time required to transfer funds to the modules.**

- **For transfer of funds from Delhi to Bhubaneshwar, PSS should explore alternative methods with an objective that funds reach the modules at the earliest.**

Effect of the above recommendations on the lead period of advance :

- *Time taken by PSS to submit its report/request of funds to MSI - 5 wks*
- *Time taken by MSI to advance the report to DFID - 1 wk*
- *Time taken by DFID to process the request/payment - 10 days*
- *Time taken by MSI to transfer funds to PSS FCRA a/c - 5 days*
- *PSS transfers funds from FCRA A/c to its main a/c - 3 days*
- *Transfer of funds to Bhubaneshwar Main A/c, Chennai - 1 wk**

For illustration :

For March closing, PSS sends its reports to MSI by	*7th May,*
MSI submits this report to DFID by	*14th May,*
DFID processes report and transfers funds to MSI by	*24th May,*
MSI transfers funds to PSS, FCRA A/c by	*29th May,*
PSS transfers funds to its Main A/c within next 3 days	*2nd June,*
Transfer of funds to Bhubaneshwar Main A/c/Chennai	*9th June*.*

** : Criticality of the transfer of funds to Bhubaneshwar Main A/c & Chennai, and further transfers to individual modules including Balasore a/c need to be carefully considered in the light that funds required at the module level is on a monthly basis. Further amounts required at each module are not high. It may also be noted, as explained below, it has been observed that large amount of funds are generally available with the project.*

Conclusion : In case all the agencies involved fulfill their responsibilities on timely basis, the above process would take approx. 10 wks. Even if certain consideration is given to non-working days and other delays, the whole process, should not take more than, say, 11 wks.

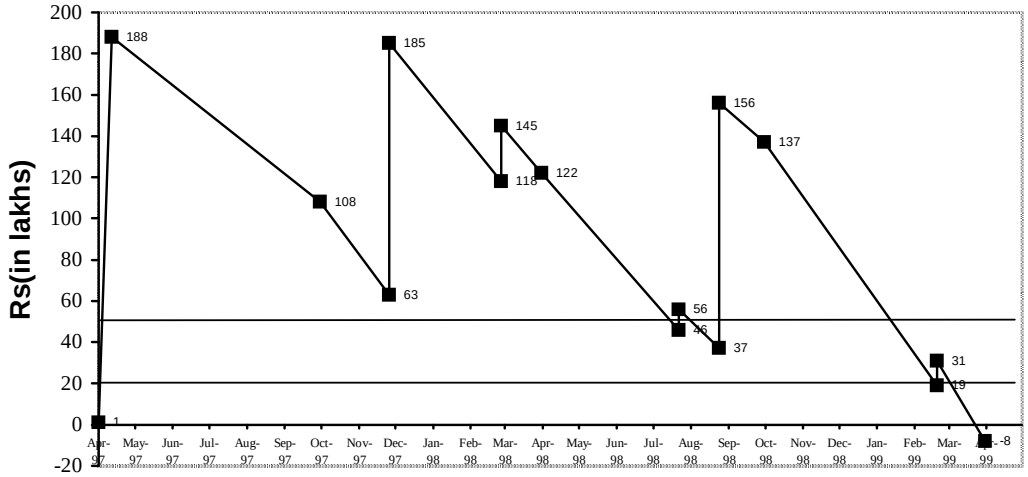
3.4 FUNDS AVAILABILITY AT PSS

3.4.1 Balance of funds

Observations
An analysis was done to identify funds lying with PSS. Based on this analysis following chart has been prepared.

In this chart y-axis represents the grant funds not spent and available with PSS, while on x-axis month-wise project period is depicted. As can be seen large amounts of funds have remained outstanding with PSS for most of the project period.

For example, throughout the project period, the project has had at least Rs 20 lakhs of grant funds available to it. Only occasion was in the month of March'99, when the funds became negative. It was explained it was a planned exercise to comply with certain statutory requirements. Next tranche of funds were received within a few days of the year-end. Other than this there has been only one occasion when funds came below Rs 50 lakhs, at Rs 37 lakhs, sometime in Aug'98.



Unutilised Grant Fund Lying with PSS

Analysis
The above analysis indicates that large amount of funds are available at any given point of time at PSS. One of the reasons of this large cash availability is that reporting period is for six months. This large surplus cash also raises the risk exposure of DFID.

This risk assessment coupled with the fact that by following the present reporting policy it is not possible to bring down the unsettled advance position within 6 months, calls that reporting frequency be reduced. This will help in reducing the surplus funds at PSS.

Recommendation:

- **Reporting by DFID should be made on a quarterly basis, although may sound slightly drastic, but possibly only way of adhering to settlement of an advance within 6 months.**

CONCLUSION:

<u>Effect of the recommendations made under paras 3.3.2 & 3.4.1 on the unsettled period of advance</u> :

If an advance is given for a maximum of 3 months and the lead time for settlement of advance is approx. 10 wks, the total period that an advance may remain outstanding will be approximately 5 ½ months. Giving another week delay for any non-working days during the whole process an advance given to PSS should get settled within the six months advance limit of DFID.

4.1 INTRODUCTION

PSS has been functioning, in association with its technical partner MSI, in the area of reproductive health since 1979**.** It carries out close monitoring of performance of its projects. This helps to maintain the accountability and in better utilisation of funds.

4.1.1 An independent study was conducted by Ford foundation in 1990 on 'Costs and Financing of Health Care'. PSS was selected for one of its case study. The report, prepared by Priti Dave, mentions following management indices used by PSS to evaluate the performance of the clinics.

- Surplus/Deficit generated per MTP
- the ratio of salary cost to fee income
- the percent drug cost to fee income

Some of these indices are part of PSS's management information used in case of certain clinics, but no such system is currently in vogue in the Orissa project. PSS explained that the project activities until now were not sufficient and these have just started picking up, and that the project now is at the right stage to start having this kind of mechanism.

4.2 SERVICES PROVIDED UNDER DIFFERENT MODULES

The reproductive health services provided by PSS are delivered through various modules as described in the project document. Different modules provide a range of reproductive health services and commodities to different target segments of the client population.

To understand the costs associated with different services and possible ways of arriving at the financial indicators, it is important to understand the different type of services provided under each module.

4.2.1 Female Clinic

Types of services available at the female clinic are as follows:

a) *Medical Termination of Pregnancy (MTP)* : This is the focus activity of the clinic. Operations are conducted on the clinic premises, where there is a fully equipped operating theatre. Patients are transferred from the theatre to a post-operative room and discharged a few hours later. Women who undergo an MTP are motivated to adopt either a temporary or permanent method of contraception.

b) *Family Planning Services* : These consist of sterilization operations and IUD insertions. Sterilization operations conducted at the clinic include both tubectomy and vasectomy.

c) *Obstetrics* : Antenatal, intra-natal and post-natal services are among the obstetric services available.

d) *Gynecological Services* : These mainly consist of consultations and certain pathological tests.

4.2.2 Community Based Distribution(CBD):

Ten Reproductive health workers (RHWs) are working, both in Bhubaneshwar and Balasore, under this module. They provide services at the community level to the eligible couples with an income bracket of Rs.500 – Rs1500 p.m. The main services provided are:

a) *Distribution of Condoms and Oral Contraceptive Pills (OCPs)*: RHWs identify the eligible couples and motivate them to use contraceptive methods i.e. condoms and Oral Contraceptive Pills.

b) *Organisation of health camps*: Health camps are organised to create awareness about reproductive health among the people.

4.2.3 Male Clinic:

Presently a male clinic is operating at Chennai only. It currently provides following major services:

a) *Vasectomy:* As per the project document this is the major activity of this clinic. The operations are conducted in the clinic. The concept of vasectomy as a family planning measure is still not widely accepted in the community and therefore the demand for this service is still very limited.

b) *Consultations:* This includes consultations for STD, Psychosexual diseases, Infertility, Urological and other general consultations. Two doctors work in different shifts to attend the patients. Currently income from this service constitutes approximately 91% of the total income of the Male Clinic at Chennai.

c) *Other Surgeries:* The clinic has recently started urology related surgeries. This includes circumcision, Hernia, etc.

d) *Condom distribution :* Most of the condoms currently distributed are free of cost as the government provides these.

4.2.4 Reproductive Health Communication and Motivation:

The major service provided by this module is to create awareness amongst the industrial workers about the reproductive health. The major activities conducted under this module are:

a) *Organisation of workshops:* Workshops are organised at the industries to create

awareness among the industry workers. The regular follow up meetings are also conducted at these industries.

b) *Outlets in the industry:* Outlets for sale of condoms and Oral contraceptive pills are set up at these industries.

4.2.5 Contraceptive Social Marketing Programme:

Sale of Contraceptive methods through Distributor network: The condoms and OCPs are distributed through dealer –distributor network and the promotion of these products are also done. However, after September 1999 this module has been withdrawn.

4.2.6 Research & Advocacy:

This development phase of this module has started in PY3 and implementation will start in PY4. The purpose of this module is to undertake advocacy work with state and district officials and other activists who influence local programmes to encourage them to promote a broad reproductive health approach and spacing methods and demonstrate a commitment to quality of care in their own areas of authority.

4.2.7 Project Management Unit:

The basic purpose of this module is to give support on various administrative aspects to other modules. This module has no specific income generation objective.

4.3 DIFFERENT ASPECTS OF UNIT COSTS CALCULATION

Under this heading different aspects of calculating unit costs have been looked at. Purpose is not to make a recommendation of a particular method of cost-calculation, but to understand the issues involved.

All costing methods are based on certain assumptions for allocation, etc., therefore, it is very easy to pick holes in any method. The basic principle in choosing a particular method would be that it is logical and consistently used. Ultimately the basic objective of having cost calculations is to have a benchmark that gives how much a service costs. This will help in developing an understanding of different components of costs of a service.

These costs can be calculated in a number of ways. The major ones are discussed as below.

4.3.1 Average Cost Method:

Easiest way in the PSS system is to arrive at average cost. For example, by dividing say the Costs of Female Clinic Module in, say, a month with the number of MTPs carried out during that month.

a) *Limitations of the average cost*

The above system has a drawback. In case services provided are not exclusively MTPs, but include other services such as sterilisations or consultations, etc., than dividing just by number of MTPs would not be correct. To arrive at a more accurate unit cost, it would be necessary to identify costs for each type of services and then divide the two, say MTP & sterilisation costs with the respective number of MTPs and sterilisations.

b) *Applicability of the Average cost method*

This method is fine if the costs associated with two different types of services can be easily identified. However problem arises, if say, the same doctor and attendant are involved in both type of services. Then identification process of direct costs becomes difficult and these costs need to be allocated to arrive at the individual cost of each type of service. Indirect costs are also allocated accordingly. The allocation basis can sometimes be slightly subjective and to that extent costing figures also may loose certain amount of objectivity. The problem becomes further aggravated, if the types of services provided in a module increase.

However at the same time it has to be recognised that the method described above does provide accurate results over a long period, especially if the same basis are consistently used.

In case of a module where a particular service remains the focus, it may be possible to conclude that all costs incurred for that module are related to that service. (For example consultations in case of male clinics.) In case there are two or three major type of services and a number of minor services associated with one of the major services. Then income of these minor services can be grouped with the associated major service.

c) *Advantage of average cost*

The different methodologies described above, are variant in one form or the other of the average cost method . The major advantage of this method is that it is easy to calculate and, as stated above, if consistently used over a long period does provide accurate results.

4.3.2 Time Study Method:

a) Another way of arriving at the unit cost is on time-method study. This involves detailing the whole process of providing service, examining each component of service and then arriving at the cost for each component. Finally adding all these to arrive at the final direct cost of providing one unit of such a service. At the end allocations are made for the fixed indirect costs.

b) *Limitations of time study method*

However this type of calculation is quite cumbersome and requires a lot of effort. Normally such costs, known as standard costs, are arrived for the purposes of some repetitive calculations. Example being stock valuation of sub-assemblies, components, etc., in a factory.

4.4 UNIT COST CALCULATIONS

4.4.1 Female Clinic

Certain unit cost calculations for MTPs at Bhubaneshwar Female Clinic have been computed as part of this consultancy. These are as follows.

Unit Cost calculation per 'MTP' at Bhubaneshwar Clinic

Costs	Budgeted For PY2 **(Rs. In Lakhs)**	Actual for PY2 **Rs.(in Lakhs)**	Actual for Iind Half –PY2 **Rs.(in Lakhs)**
Direct Costs			
Salaries	8.18	4.5	2.22
Medical Supplies	0.72	0.46	0.20
Rent	1.20	0.2	0.20
Indirect Costs			
Overheads			
Travel	0.60	0.66	0.36
Off.exp.	1.80	1.78	0.84
I.E.C	13.00	6.02	2.16
Sub total	25.50	13.62	5.98
Price Contingency	0.95		
PSS support cost	1.23	1.23	0.62
Total cost	27.68	14.85	6.6
Ratio of MTP income to total income	85%	85%	85%
MTP cost- 85% of total cost (A)	2352800	1262000	561000
Total no. of projected MTPs for PY2 (B)	1000	551	304
Unit MTP cost (A/B)	**2353**	**2290**	**1845**

These computations have been done for PY2. Three different computations have been prepared :

- unit costs as per the budget,
- unit costs for PY2, and
- unit costs for IInd half of PY2 (Oct'98-Mar'99)

These computations have been prepared for recurring costs only, as non-recurring costs are one time costs and will not be repeated. In fact, monitoring is performed for the controllable costs, that is, the recurring costs.

a) Classification of Income:

Income, in case of female clinic, has been classified into two major groups, one being MTP and the second being OTHERS. All incomes generated from pathological tests, etc. alongwith MTPs have been combined together under the income group called MTP. All residual income mainly from sterilisations, IUDs, etc. have been put together under the income group OTHERS. For the PY2 income of the MTP group constitutes almost 85% of the total income.

b) *Allocation of costs*:

Total costs of the module have been allocated, based on the income generated, between these two groups.

c) Arriving at the cost

The cost amount so arrived at has been divided by the number of MTPs performed during PY2. This gives the unit cost of an MTP. As there were no budgeted figures available for MTPs to be performed for PY2, target as set out by PSS has been considered for the calculations. Unit costs of MTP on the basis followed are as follows:

	Rs.
PY2 - Budgeted	2353
Actual (full yr)	2290
Actual (IInd Half)	1845

The two main factors affecting the above costs are the number of MTPs performed and the costs of the module. It appears that in PY2 the MTPs performed was only 551 as compared to a target of 1000. However as the expenditure of the module remained at only 53 % of the budget amount, actual unit cost fell marginally below the budgeted amount.

The low unit cost of Rs 1845 per MTP for the second half is mainly due to two reasons. One because a large portion of expenditure relating to IEC activity was charged in the first half. And also because there is an improvement in number of MTPs performed in the IInd half by more than 23% over Ist half. It could be argued that as the number of MTPs increase average unit cost of each MTP would come down in future. However it should be recognised that this unit cost would be affected, if IEC expenditure, which was low during this half of the year, increases.

4.4.2 Male Clinic

Certain unit cost calculations for consultations at Chennai Male Clinic have been computed as part of this consultancy. These are as follows.

Unit Costs Per 'Consultation' at Male Clinic Chennai

Costs	Budgeted For PY2 (Rs. In Lakhs)	Actual for PY2 Rs.(in Lakhs)	Actual for IInd Half –PY2 Rs.(in Lakhs)
Rental	4.5	9	4.5
Salaries	10.67	6.62	3.43
Medicines	2.07	0.35	0.22
Indirect Cost			
Overheads			
Travel	0.84	1.59	0.89
Office Expenses	2.16	2.38	1.18
I.E.C.	12.9	11.36	5.67
Sub total	15.9	31.3	15.89
Price contingency	1.29		
PSS Cost	3.12	3.12	1.56
Total cost	20.31	34.42	17.45
Ratio of Consultation Income to Total Income	91%	91%	91%
Consultation Cost(A)	3417050	3132220	1587950
No. of cons. During the year(B)	3000	2369	1434
Unit Consultation cost (A/B)	**1139**	**1322**	**1107**

a) Classification of income

Income, in case of Male Clinics, has been classified into two main groups. Major activity of the male clinic is to provide consultations for the STD/RTD cases. Even in, income terms this constitutes almost 55% of the income. The other major source of income is the pathological tests, these constitute approx. 36% of total income. The two together constitute approx. 91% of the total income of the male clinics.

In most cases pathological tests are got done as a result of consultation. Therefore to that extent it can be said that the pathological tests are not an independent activity of the clinic, but an activity arising out of the consultation process. Accordingly while arriving at the unit cost of consultation, costs of performing pathological tests have not been considered separately.

The other major target of the activity was performing vasectomies, however PSS is finding that demand for this activity is very limited.

b) *Allocation of costs*:
Total costs of the module have been allocated, based on the income generated, between the two groups, Income from Consultation and OTHERS.

c) Arriving at the costs:
Unit costs of Consultations on the basis followed are as follows.

	Rs
PY2 Budgeted	1139
Actual PY2 (full yr)	1322
Actual (IInd Half)	1107

Actual unit cost of consultations, which include consultations for STD and other matters, has remained high, as compared to the figure derived on the basis of budgeted costs, mainly because the number of consultations achieved during PY2 are still lower by more than 21%. This is the main reason for the unit cost per consultancy remaining higher. In fact the overall expenditure is lower than the budgeted, mainly because of lower salary. Salary was lower by almost 38% as compared to the budget amount. Had the module achieved the target consultations of 3000, the unit cost would have been lower by Rs 278.

When examining the IInd half figures, the unit cost of consultancy is much lower at Rs 1107. This is mainly on account of increase in consultancies, which have increased from previous half by 53% (499 cases). This would appear to be a good trend if maintained.

4.5 CURRENT MANAGEMENT INFORMATION SYSTEMS

4.5.1 *MIS on Financial Information:*
The accounting system followed at PSS is such that costs of each module can be arrived at without much effort. These costs can be readily compared with the budgets, as the reports generated from the accounting system are generally comparable to the budget-heads.

Further each module also generates an income statement, giving services wise detail of income generated.

4.5.2 *MIS report on activities*
PSS captures the full quantitative and related details of services carried out for the female clinics in the form of a 'Blue Book' on a monthly / quarterly basis. For other modules activities performed are described in a narrative form of an Activity Report. Based on these reports a six monthly management appraisal report called Project Implementation Plan (PIP) is prepared. These statements form part of an overall Management Information System. This report is also sent to MSI / DFID.

Observations
Project presently does not have a system which enables it to know how much a unit of service costs.

PSS accounting system is such that it could easily facilitate providing of necessary information for calculations of unit costs.

Analysis
It is important that a project should know how much it costs to provide a service. This becomes even more important considering the project's ultimate aim is to achieve sustainability for these services.

Recommendation
- **Project should institute a system, which enables it to identify on a regular basis the actual costs of reproductive health services provided. The system should be so designed that it helps the persons, involved in decision making, in developing an understanding of relationship between different types of costs (fixed and variable) vis-a-vis the contribution achieved.**

4.6 COST SHARING

4.6.1 PSS system is designed in a manner that there is very little sharing of costs among different projects. Even within the project costs are generally module specific. A PMU module has been specifically formulated to deal with common services that the different modules of the project require. Thus there are no or very few common costs at the module levels.

4.6.2 Project Support Unit

Observations
Project Support unit is based at PSS, main office at Delhi. It has allocated certain persons specifically, but not exclusively, to the Orissa project. Project Manager is also based at the Support office.

In addition it carries out the accounting & finance function of the project. It is also responsible for the reporting function to MSI/DFID. Policy formulation of the project also takes place mostly at the Support Unit.

PSS is charging the costs of its support functions based on the budgeted amount and no details are available of the actual costs incurred by PSS.

Analysis
Presently there is no system of quantifying the time spent by the persons at the support office on the Orissa Project or if PSS has a system of allocating common costs of its support unit to different projects. In view of this it is not possible to comment upon the actual costs of the support unit.

Recommendation:
- **It is recommended that a system be designed which ensures that costs of persons specifically allocated to the Orissa Project could be charged to the project on actual basis. While costs of the persons who need to spend time on more than one project, or similar other common costs could be shared among different projects on certain transparent and scientific allocable basis.**

5.1 INTRODUCTION

5.1.1 PSS believes, as does its technical partner MSI, that a social welfare program can be run in much the same way as a private business and that corporate management techniques can be used to help ensure that scarce resources are utilized in the most efficient manner.

5.1.2 This philosophy is reflected in the project document. Following is an excerpt from this document

> From its inception there has been an emphasis on cost recovery within clinics leading to sustainability which is primarily achieved by generating income through user charges. This emphasis is an important element in a strategy for long-term self reliance of programmes. The aim is continuation of service provision beyond the end of the funding period which typically is three to five years. Through careful siting of clinics in easily accessible locations in areas with a sufficiently wide economic base and by pricing services to attract middle income as well as lower income groups, PSS has been successful in operating some clinics at a break even point or at a surplus. Where clinics have not been able to make a contribution to PSS's central support costs at the end of the funding period, some continuing donor funding to cover clinics' fixed costs has been necessary.

The above paragraph indicates not only the philosophy of PSS, but also the strategy it follows for developing its clinics into a self-sustainable one.

This chapter has a look at the cost recovery objectives set out in the project document. Present level of service delivery of clinics functioning under the Orissa Project is identified. It also considers the capacity of the clinics and an attempt is made to establish the period of time over which the clinics need to be operational to meet the cost recovery objectives.

5.2 SUSTAINABILITY : OVIs OF COST RECOVERY

Sustainability of the clinics is one of the cornerstones of the project strategy. It has been carefully thought and evolved in the project document. Novel approach has been that phase out strategy of the funding partner has been thought out while planning the project. This has given ample opportunity for planning specific steps to achieve the objective of sustainability. For example, one such step is accumulating of income during the project period, which can be used by the project after the funding agency withdraws.

5.2.1 Overall Verifiable Indicators of cost recovery

A very important step in this direction has been fixing of cost-recovery levels as the Objective Verifiable Indicators (OVIs). Following cost recovery objectives appear in the Project Logical Framework in the project document:

Female Clinics	Cost Recovery level to be achieved by EOP
Bhubaneshwar	50% of Unit level costs
Balasore	25% -do-
Male Clinics	
Chennai	70% of Unit level costs
Cuttack	35% of Unit level costs

5.2.2 Unit-level costs

Interpretation of unit level-costs was also examined. A number of views were stated in its interpretation.

- Only recurring costs.
- Only recurring costs and Support Unit costs.
- Running costs only, and if building is PSS owned, then no rent to be considered.
- Present running costs, but to also consider future capital replacement costs.

Considering different opinions existed on this very vital term, it was decided to dwell some thought on the same. It is true that Project Document does not define Unit-level costs, however it does refer at a number of places to OVI in terms of running costs. At other places it interchanges this word with cost-recovery.

a) Only recurring costs

The purpose of the OVI is to make the project sustainable, when no funding is available. To that extent it is clear that the clinics need to recover only the future costs. These costs would be mainly in the nature of recurring costs only as the clinics by EOP would have been operational for sometime.

b) *Only recurring costs and Support Unit costs.*

PSS policy is that it has created a support unit at the central level which provides for the needs of setting-up policies, devises and implements plans to achieve targets, carries out monitoring and provides necessary technical inputs. Thus Support Unit provides necessary managerial inputs which are essential for running of the clinics. As long as the PSU support costs being charged to the clinics can be related to these being actually incurred, these can be stated to be as part of the Unit-level costs only.

c) *Running costs only, and if building is PSS owned, then no rent to be considered.*

Unit-level costs include rent, even where the building is owned by PSS. It may be argued that rent in case of PSS owned building, is not an actual cost, which a clinic needs to bear. This argument misses the basic point, that each clinic needs to become self-sustainable. If the practice of not charging rent to clinics, which are housed in PSS owned buildings was followed, then sustainability targets would become different for the clinics housed differently. This would demoralise the clinics housed in rented accommodations and would become a reason for not being able to achieve the cost-recovery targets. This also goes against the basic philosophy of PSS i.e. efficient use of resources. PSS has incurred certain costs (including foregoing of certain incomes) in providing funds for purchase of land and cost of construction of

clinics, it should be able to recover part of these costs in the form of rental income. As long as the rent being charged is on prevalent market rates, it should be part of the Unit-level costs.

d) *Present running costs, but to also consider future capital replacement costs.*
By end of project-period, most clinics would have been in operation for some time. The time-level would of course vary from clinic to clinic. In case of Bhubaneshwar Clinic, this would be almost 5 years of implementation. It is likely that by end of this period, certain equipment may require replacement or certain new equipment may also be required by the clinic. This aspect as we understand has been budgeted in PY4 and PY5.

5.2.3 Service delivery targets

Certain service delivery targets have been fixed in the project document. The purpose appears to be to translate the sustainability objective into a methodology. This target fixing makes the projects focussed and thus helps in achieving these targets.

a) Bhubaneshwar Female Clinic

i) Targets as per the project document
In case of Bhubaneshwar clinic the major income generating activity is MTP, therefore targets set for MTPs have been considered. As per the project document 10,350 MTPs are to be conducted by end of project. Year-wise targets were not fixed, as this was left to the project management to work out.

ii) Current System at the project
Presently PSS management has not worked out a plan of allocating year-wise targets to reach the EOP target. PSS has stated that as the Bhubaneshwar clinic has shifted into the new premises only approx. 6 months back, currently it is at the stage of assessing the present demand of MTPs at the clinic.

iii) Estimation of Targets
For understanding of the issues year-wise targets, as below, have been arrived at.

Year	No. of MTPs	%age increase
PY2	1000	---
PY3	1500	50%
PY4	2100	40%
PY5	2625	25%
PY6	3125	20% (approx.)
Total	10350	

iv) Assumptions for estimation:
PY2 target above is same as fixed by the PSS. It is assumed that the PY2 target level fixed by PSS is after considering the total level of service delivery to be achieved

during the project period and hence, this is kept as base for the calculations.

Percentage increases have been considered on a declining trend, as the number of cases rise, achieving the same percentages would be more difficult.

v) Limiting factors for estimation:
The capacity of the clinic has to be considered while extrapolating the targets as the maximum number of MTPs that can be conducted with current infrastructure facilities is a limiting factor.

- The clinic conducts the MTP operation from 9.30 to 2 i.e. 4.30 hours. On an average an operation takes around 25-30 minutes, therefore the maximum capacity of the clinic is 10 operations per day. The number of working days in a year are approximately 300. Therefore with current infrastructure facility the maximum number of operations that can be conducted in a year per operating theatres is 3000. As the clinic has two operating theatres the capacity for the clinic is approximately 6000.

- The capacity of the clinic can also be affected by the non-availability of the doctors which is currently a major problem faced by Bhubaneshwar clinic. However, for calculation purposes this factor has not been considered.

- Capacity of a clinic can be easily enhanced by increasing the time for operation hours.

b) Chennai Male Clinic

i) Targets as per the project document
In case of Chennai Male clinic, activity relating to vasectomy has not really taken off and the major income generating activity is the consultations including for STD, psycho-sexual problems, infertility, etc. Hence the targets set for consultations have been considered as the basis for income generation. As per the project document 15,000 consultations are to be conducted over the project period. PY2 target was fixed at 3000 consultations.

ii) Current System at the project
As in case of female clinic at Bhubaneshwar, at present PSS management has not worked out a plan of allocating year-wise targets to reach the EOP targets.

iii) Estimation of Targets
SMA has considered the level of consultations achieved during PY2 as the base and extrapolated this figure by 5% for each year. This increase is based on the capacity available at the clinic.

iv) Limiting factors for estimation
The capacity of the clinic has to be considered while extrapolating the targets as the maximum number of consultations that can be conducted with current infrastructure facilities is a limiting factor.

- The clinic has two doctors, one full-time and the other part-time. The full-time doctor attends the clinic from 12-8 PM, while the part-time doctor attends from 9 AM – 2 PM. Thus in total 13 man-hours are available of doctors' time to the clinic. On an average a consultation process involves around 25-30 minutes of a doctor's time. Therefore the maximum capacity of the clinic is 25-26 consultations per day. The number of working days in a year are approximately 300. Therefore with the current infrastructure facility the maximum number of consultations that can be organised in a year are **7500.**

- However considering that doctors may be involved in activities other than consultation, the time available for the consultation would be reduced to that extent.

- The capacity of the clinic can also be affected by the non-availability of the doctors. However, for calculation purposes this factor has not been considered.

5.2.4 Methodology for calculating Cost-Recovery

Main components of the cost recovery calculations are the 'Unit-level costs' of the clinic as defined above and the total income of the clinic. Computations have been prepared for identifying the actual level of cost-recoveries for PY2 and PY6. The computation also examines the effect of reduced-level of service and calculates PY in which the OVI could be achieved.

a) FEMALE CLINIC, BHUBNESHWAR

i) Costs

Costs as compared to the original budgets are substantially down. This is evident from the actual expenditure statements of PY2. To calculate the cost-recovery of female clinic in PY6, an estimate of likely cost expenditures in that year is necessary. This cannot be taken as the budgeted amount as it needs to reflect the present position. Accordingly to arrive at PY6 costs, actual expenditure of PY2 has been increased in the same ratio as given in the budget.

ii) Income

To arrive at the income for the Female Clinic module in PY6 two information are required. These are, number of MTPs which the module will perform in PY6 and the estimated average income per MTP. The product of these two, will provide income for PY6.

iii) No. of MTPs in PY6

As per the project document cumulative target of MTPs is 10,350. On this basis, the clinic will need to perform 3125 MTP in PY6. (See above: Service Delivery Targets). However in PY2 the project has been able to achieve 551 MTP as against a target of 1000 MTP. This if the actual number of 551 is extrapolated on the basis of percentage increase as given under the Service Delivery Targets, above, a projected target of 1736 MTP is arrived at for PY6.

iv) Average Income per MTP

Considering MTP is the major activity of the module (almost 85%), it has been considered as a base for calculating the average income of the female clinic module. To arrive at PY6 average income of MTP, actual average income of MTP for PY2 (Rs 467) has been enhanced by a factor of 6% for each year to PY6, to give a rate of Rs 589 per MTP for PY6. Based on the current level of prices the above assumption appears reasonable.

v) Findings

Projected cost recovery of female clinic in PY6	43.03 %
Projected cost recovery of female clinic in PY8	52.85 %

(For detail calculations see Annexure VI -A)

Before commenting upon the above calculations, a point of interest is that the comparative cost-recovery calculations for PY6 based on the budgeted costs and the project targets is 39.5%.

Analysis

Compared to the budgeted cost-recovery, a higher cost-recovery for PY6 has been possible mainly because of substantial reduction in costs of the module. It could be further argued that considering the projected MTP figure by the EOP is 5717, much less than the project target of 10350, if the clinic could improve the projected target, it would further enhance the cost recovery ratio.

The other factor, which could have an impact on the cost-recovery ratio, is the average MTP income rate. In the Female clinic main recoveries are from MTP fees, consultation fees and the pathological tests. While arriving at the MTP income rate for PY6, as mentioned above, an annual increase of approx. 6% has been considered. This is on the assumption that the income will increase because of enhanced and wider activity of the clinic. This is considered likely as the activities of the clinic increase.

The average MTP income rate is very much dependent upon the MTP fee rate which presently starts from Rs 350 (Rs 250 from client plus Rs 100 from STF) and goes to Rs 1200 for high gestation period. Two matters basically can affect the overall MTP rate, one, handling of more higher gestation period cases than the lower ones, and the other being, increase in the present level of fee being charged to the clients.

Our calculations show that a 10% increase in either the projected target (5717 of MTPs) or Average MTP income rate would result in a cost-recovery of 47.35% in PY6, while an increase of 20% would result in a cost-recovery of almost 51% in PY6.

Presently the costs are lower than the budgeted amounts, in case of increase in costs, it could have that much adverse impact on the cost-recovery targets.

CONCLUSION:

In conclusion, it appears that a combination of both above factors i.e. increase in the income rate of MTP and effort to achieve MTP targets as set out in the project document could contribute in achieving the Cost Recovery objective by PY6. In case the levels as indicated in our projected calculations are achieved the module will be able to achieve the cost-recovery objective in PY8.

Recommendations

- **The project needs to carry out an in-house study in light of the above findings and identify mechanisms, which could result in increase in average income of an MTP, and the clinic is able to achieve a target of MTPs.**

■ **The project needs to adopt a regular mechanism which sets-up targets for service delivery and income for the clinic with a view to be able to achieve the OVI of 50% cost-recovery in case of Bhubaneshwar clinic by end of the project, i.e. PY6.**

b) MALE CLINIC, CHENNAI

Generally the basis for calculations, while calculating cost-recovery targets for Chennai Clinic, have been taken on similar basis as for the female clinics at Bhubaneshwar.

i) Costs

For arriving at PY6 costs, actual expenditure of PY2 has been taken as a base. This has been then extrapolated, in the same ratio, as the increase in the budgets from PY2 to PY6.

ii) Income

To arrive at the income for the male clinic module in PY6 two information are required. These are, number of Consultations which the module will perform in PY6 and the estimated average income per Consultation. The product of these two, will provide income for PY6.

iii) No. of Consultations in PY6

As per the project document cumulative target of Consultations is 15,000. On this basis, the clinic will need to perform 3000 Consultations in PY6.

iv) Average Income per Consultation

Considering consultation is the major activity of the module (almost 91%), it has been considered as a base for calculating the average income of the male clinic module. The average income for Consultation for PY6 has been arrived at by enhancing the average Consultation income for PY2 by a factor of 6% for each year to PY6. The average income rate for PY6 comes to Rs 127 per consultation. It may be noted that though vasectomy has been considered as a target activity, as the same is yet to pick up as a major activity.

v) Findings

Projected cost recovery of male clinic in PY6	5.81 %
Projected cost recovery of male clinic in PY8	5.95 %
Based on budgeted cost & target set in Project Doc. for PY6	5.22 %

(For detail calculations see Annexure VI-B)

Analysis

The cost of clinic is very high. This has made the cost-recovery almost minimal at present levels, compared to the OVI of 70%.

It may be noted that cost-recovery level even for the budgeted costs comes to only 5.22%. In rupee terms the cost of one consultation comes to Rs 1139. This appears to be far too high for ensuring sustainability. This also indicates that while fixing 70% cost-recovery OVI for this module, income of the clinic was not properly assessed.

The project document included certain related surgeries as part of the activities of the project. It was noted that during PY3 the project has conducted a hernia-related surgery.

Considering the huge difference between the income and the recurring costs, some brainstorming in the fundamentals of the project needs to be done to find out if the project can have financial sustainability.

CONCLUSION:
Considering the minimal-level of cost-recovery, the male-clinic would not be sustainable on the basis of present level of income and expenditures. Immediate steps would be necessary to identify ways of enhancing the income in a substantial manner and of reducing the costs drastically.

Recommendations

- **The project needs to identify ways of enhancing its income while not loosing the purpose of setting up the clinic.**

- **MSI should look into this issue and based on its wider experience in the field, needs to identify how to make the project sustainable.**

- **Project's OVI of 70% of cost-recovery by end of the project needs to be revisited in light of the steps identified based on the above two recommendations.**

6.1 ROLE OF MSI AS DEFINED IN THE PROJECT DOCUMENT

6.1.1 One of the TOR requirements is to review the role of MSI financial management advisory services in relation to the description in the Project Memorandum.

6.1.2 PSS and MSI have had an association since the inception of PSS in 1978. PSS is an affiliate of MSI.

6.1.3 The project document required PSS to contract MSI for a range of technical inputs and support for the project, including assistance with quality of care protocols, MIS development, human resource systems development, training, monitoring and financial and project reporting. It was further stated that PSS will control the timing of technical inputs from MSI in accordance with the project document and with the operational plans agreed between the two organisations.

6.1.4 While project implementation would remain PSS responsibility; MSI was made responsible for financial disbursements to the project and financial reporting to BCD at the time. Since then BCD is no longer involved in the arrangements and MSI is to directly report to DFID.

6.1.5 To implement the above arrangements a Technical Assistance Understanding between MSI and PSS was agreed upon. The main Financial advisory services by MSI to be carried out as part of this understanding are as follows:

6.1.6 MSI to receive financial report from PSS on expenditure incurred by it. The format and formalities about the reporting were required to be same as per the DFID requirements. MSI financial team would provide assistance to PSS to ensure that PSS's financial reports meet DFID's reporting requirements for timeliness layout and accuracy and provide regular and timely management information to PSS and MSI.

6.1.7 MSI Finance manger would visit the project twice in the first year and annually thereafter to ensure that financial systems meet changing project needs.

6.1.8 Other specific responsibilities of MSI included inviting PSS's Finance Manager to attend MSI's annual regional financial workshop.

6.2 Financial management Assistance provided by MSI

6.2.1 *Participation of PSS officials at MSI sponsored workshops / training*

i) Harbans Singh, PSS Finance Manager participated in the annual regional finance workshop held by MSI from 29th June to 5th July 1997.

ii) Srini, MIS personnel situated at PSS, Delhi was provided orientation and training on

financial and MIS requirements & implementation from 21st September to 4th October, 1998.

iii) Mehtab Ali, Asst. Manager, situated at PSS Delhi, attended the workshop from 11-13 August 1999 on improvements in donor reporting, strengthening of inter-personal relationships between finance teams and promotion of accounting software 'Pegasus Opera'.

6.2.2 *Visit by MSI finance persons to PSS*

i) Visit by MSI Finance Manager, Chris Hines, to PSS from 27 May to 4 June, 1997

- The objectives of the visit included review of the current financial system and to recommend improvements and to discuss and resolve financial issues relating to the Orissa Project.
- No report was issued, except for half a page of action plan.

ii) Visit by MSI Finance Manager, Nutan Wozencroft, to PSS from June 2-13, 1999

- The objectives of the visit were mainly to review financial management system for the Orissa project and to discuss and agree solutions to any areas of concern identified.
- A detailed report of the review was issued. The review concluded that robust internal control mechanisms exist. Though it did identify medium risk in the cash system, mainly because of single signing authorities.
- Constraints were also identified in meeting tighter reporting dates and certain recommendations have been made.

Observations

i) The project document required half-yearly visits by MSI's Finance Manager in the first year and annual visit thereafter. Accordingly the MSI Finance Manager should have visited PSS at least three times by Mar'99. However till Mar'99 only one visit was made. Another visit has been made in the month of June'99.
ii) In MSI's view as it is responsible for the reporting to DFID, it continues to have a responsibility of receiving these reports from PSS and of monitoring the expenditures incurred by DFID.
iii) MSI and PSS both felt that there is a need for the institutional development in regard to MIS system and developing of a relevant system of costing.
iv) From the report issued by MSI Finance Manager there appear to be a number of areas, where institutional strengthening is required at PSS.
v) In a recent submission by MSI it has been stated that PSS has successfully implemented the RESULTSCAN programme. This programme provides for monthly Key performance indicators on all the programmes.
vi) As referred to elsewhere in the report, presently DFID makes the advance payment, based on the basis of a certificate from MSI that the expenditure statements submitted represent funds actually and necessarily spent on the project activities.
vii) Apart from MSI's visits, an annual expenditure statement signed and stamped by PSS's auditors is submitted to DFID through MSI. The expenditure statement is not accompanied by any report.
viii) There is no documentation on record to suggest if the auditors are aware of this requirement of DFID.

Analysis

i) MSI's finance manager's visits have been rather infrequent.
ii) The visits have been useful, in helping MSI, assess and understand the strengths and weaknesses of PSS's internal controls and finance systems.
iii) MSI plays a major role in assisting PSS adopt and implement new tools and techniques, both in the area of programme as well as finance.

iv) One of the major concerns that the project document has enticed is of the security of funds that are generated from the income of the project. MSI monitoring was considered as one of the major safeguards in ensuring this.

v) To give certificate of actual expenditure to DFID, MSI appears to be relying more on trust rather than any regular independent check mechanisms.

Recommendations :

- **MSI should continue with its present role as defined in the project document.**
- **MSI finance manager's visits should be made on a more timely basis as these help in identification of capacity constraints of PSS.**
- **MSI should have a mechanism of getting a regular and more frequent feedback on the monitoring of income and expenditures by an independent person. Reporting should be directly to MSI.**

INCOME REPORT FORMAT

Income generated and its reconciliation during the period --------- to ---------

Module		Centre		Brought forward (Rs)	Income for the reporting period	Carried forward (Rs)
1	Female clinic	Bhubaneshwar	Operational Income			
			Interest Income			
		Balasore	Operational income			
			Interest Income			
2	CBD	Bhubaneshwar	Operational income			
			Interest Income			
		Balasore	Operational income			
			Interest Income			
3	Male clinic	Bhubaneshwar	Operational income			
			Interest Income			
		Balasore	Operational income			
			Interest Income			
4	RHC& M	Bhubaneshwar	Operational income			
			Interest Income			
		Balasore	Operational income			
			Interest Income			
5	CSMP	Bhubaneshwar	Operational income			
			Interest Income			
TOTAL				xxxx	Xxxx	Xxxx

Total Income represented by:

	Module	Centre	Amount carried forward	Amount for the period of report	Cumulative Amount
Balance in Savings Accounts	Female clinic	Bhubaneshwar			
		Balasore			
	CBD	Bhubaneshwar			
		Balasore			
	Male clinic	Bhubaneshwar			
		Balasore			
	RHC& M	Bhubaneshwar			
		Balasore			
	CSMP	Bhubaneshwar			
FD's					
Total			Xxxx	Xxxx	Xxxx

PSS ORISSA PROJECT
DFID FINANCIAL CONSULTANCY REPORT

Annexure- III

Variance between Budget and Cash Flow forecast																		
For the half year ending 30.9.99																		
Exp. Heads	**Module I – Female Clinic**			**Module II – CBD**			**Module III - Male Clinic**			**Module IV – RCHM**			**Module VI - Research & Advocacy**			**Module VII - PMU**		
	Amount as per Budget	Amount as per forecast	Variance	Amount as per Budget	Amount as per forecast	Variance	Amount as per Budget	Amount as per forecast	Variance	Amount as per Budget	Amount as per forecast	Variance	Amount as per Budget	Amount as per forecast	Variance	Amount as per Budget	Amount as per forecast	Variance
Non recurring cost	0.00	6.00	-6.00	0.00	0.00	0.00	14.25	6.00	8.25	7.49	2.50	4.99	4.48	2.00	2.48	0.00	2.00	-2.00
Salary & Benefits	9.47	7.10	2.37	6.31	4.73	1.58	6.30	4.73	1.57	3.38	2.53	0.85				9.52	8.87	0.65
Overheads	2.38	1.79	0.59	1.23	0.92	0.31	1.50	1.13	0.37	1.95	1.46	0.49				2.31	2.32	-0.01
IEC	12.67	9.50	3.17	1.08	0.81	0.27	6.58	4.93	1.65	4.72	3.54	1.18				0.00	0.00	0.00
Rec. & Training	0.57	0.43	0.14	0.43	0.32	0.11	0.28	0.21	0.07	0.20	0.15	0.05				0.66	0.61	0.05
Medical Supplies	0.92	0.69	0.23	0.00	0.00	0.00	2.75	2.06	0.69	0.00	0.00	0.00				0.00	0.00	0.00
Rental	1.20	1.20	0.00	0.48	0.48	0.00	4.50	4.50	0.00	0.72	0.72	0.00				1.20	1.20	0.00
Institutional strength.																5.75	6.00	-0.26
Price Contingency	1.96	1.49	0.47	0.35	0.27	0.08	3.21	1.08	2.13	1.61	0.65	0.96	0.46	0.00	0.46	1.59	0.93	0.66
PSS Support Cost	0.90	0.90	0.00	0.90	0.90	0.00	2.25	2.25	0.00	2.10	2.10	0.00	0.90	0.90	0.00	1.80	1.80	0.00
PO Balasore										1.18		1.18						
Total	30.07	29.10	0.97	10.78	8.43	2.35	41.62	26.89	14.73	23.35	13.65	9.70	5.84	2.90	2.94	22.83	23.73	-0.91

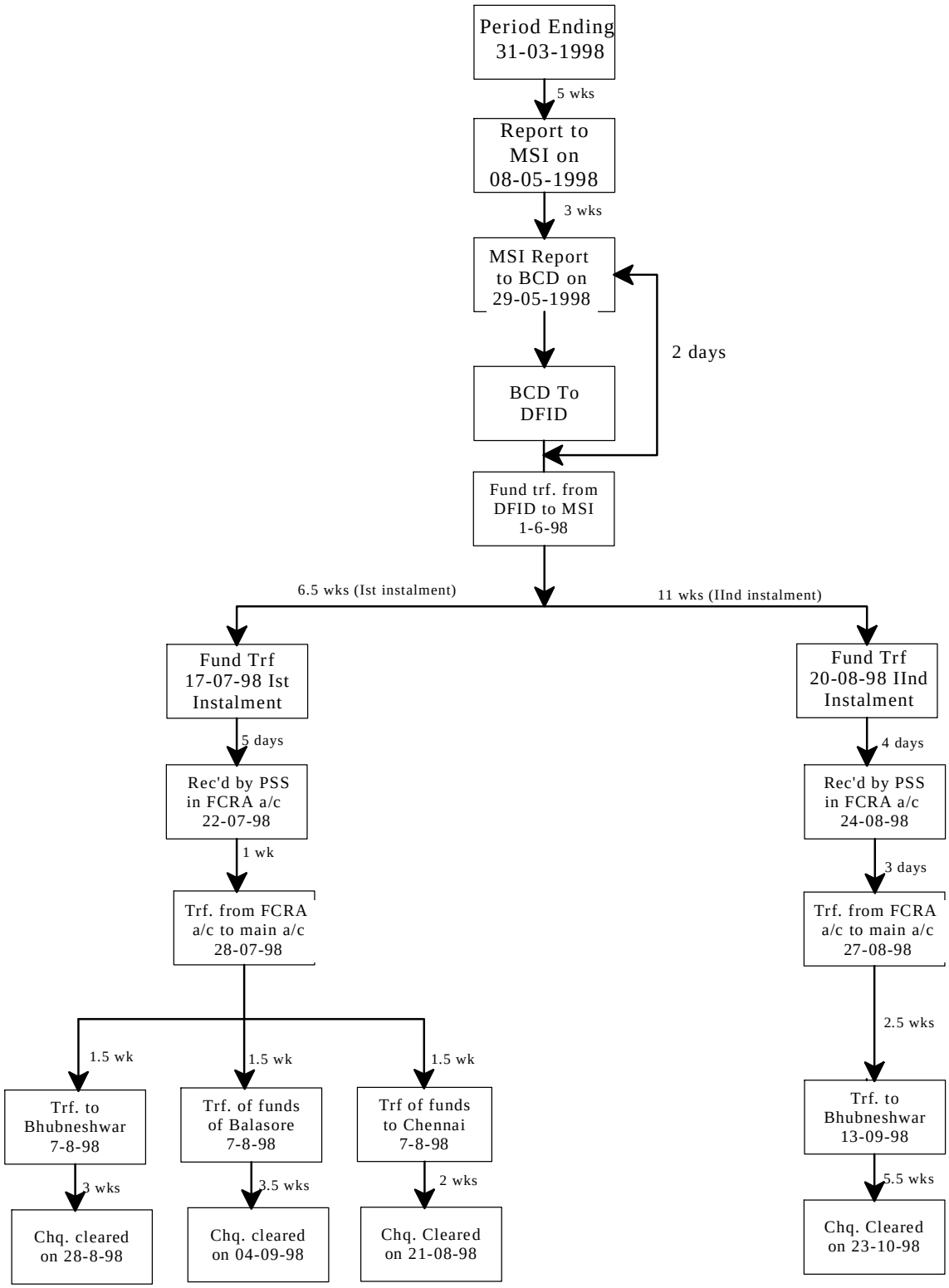
REPORT PREPARATION TIME REQUIRED BY PSS

Preparation of accounts at Bhubaneshwar	10 days
Support Office team visits Bhubaneshwar and finalises accounts there	12 days
Process at Support Office	
Finalisation of Chennai accounts in Support Office	2 days
Computer feeding	3 days
Adjustment entries	3 days
Final Trial Balance checking	3 days
Preparation of Centrewise & modulewise Report	2 days
Preparation of Income statement, STF details & Final report	2 days
Final checking of Report & sending to MSI	2 days
Total time taken in preparing the report	39days

NB: The above Time-frames are as provided to us by PSS

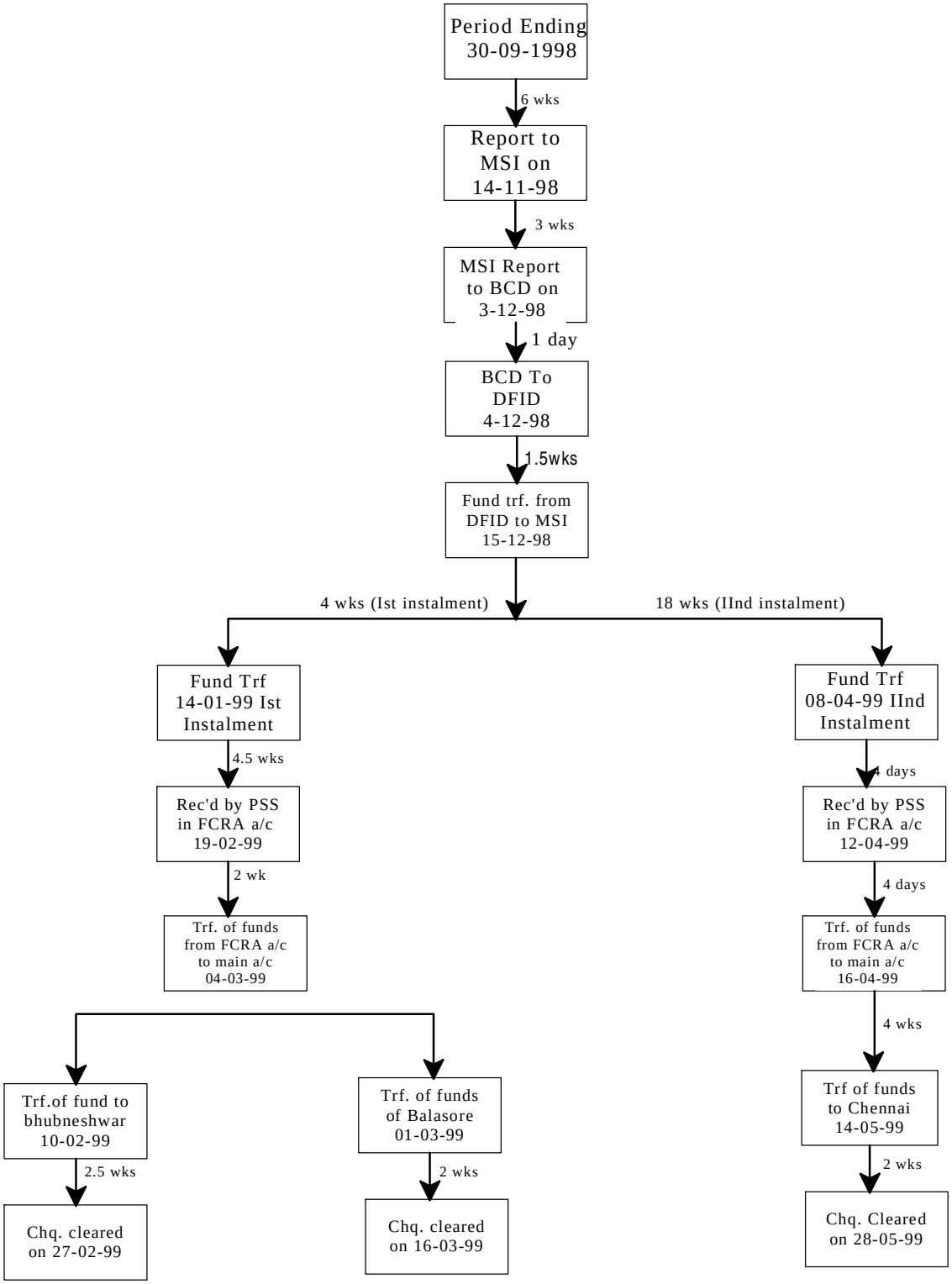
PSS ORISSA PROJECT
DFID FINANCIAL CONSULTANCY REPORT

Time taken for Reporting and Processing of funds



PSS ORISSA PROJECT
DFID FINANCIAL CONSULTANCY REPORT

Timetaken for Reporting and Processing of Funds



Cost recovery level of Female Clinic - Bhubaneshwar

I. *Based on Current Level of activities*

Years	Cost (Rs)	*Income Per* MTP (Rs)	No.of MTPs	Income of the module (Rs)	% age of cost recovery
PY6	2376000	589	1736	1022504	43.03
PY7	2613600	625	1996	1247500	47.73
PY8	2874960	662	2295	1519290	52.85

Notes:

1. *Cost of the module*:

- PY6 –Cost of PY6 is arrived at by extrapolating the actual cost of PY2 by 60% i.e. the percentage difference between budgeted cost of PY2 and PY6.

  Budgeted Expenditure for PY 2 = 29.02
  Budgeted Expenditure for PY 6 = 46.57
  % age increase = 60%
- The cost of PY7 & PY8 is increased by 10% over previous year's costs.

2. Income Per MTP:

Per MTP income has been calculated by dividing the total income of the module by number of MTPs. The income of PY2 has been extrapolated @ 6% p.a.
Total Income of female clinic for PY2(A) = 257204
No. of MTP (B) = 551
Average Income (A/B) = 467

The extrapolation is taken considering that there is an increase in number of other services provided by the clinic in the coming years. This likely as the popularity of the clinic increases the client can come for other services like general consultation, AnteNatal Care and Post Natal Care etc.

3. Number of MTPs:

Actual MTPs conducted during PY 2 are taken as base and have been extrapolated as follows:

Year	*No. of MTP*	%age increase
PY2	551	
PY3	827	50%
PY4	1157	40%
PY5	1446	25%
PY6	1736	20%
PY7	1996	15%
PY8	2295	15%

Based on Budgets

Year	Cost	***Number of MTPs***	***Income per MTP***	**Income of the module**	%age of cost recovery
PY6	4657000	3125	589	1840625	39.5%

Notes:

1. *Cost of the module*:
   The cost as per the budget is considered.
2. *Income Per MTP:*
   The income per MTP as in the case of actual cost is considered as income has not been budgeted.
3. *Number of MTPs:*
   Number of MTPs has been extrapolated as per following considering the target of 1000 MTP set by the project for PY2 as base.

Year	No. of MTPs	%age increase
PY2	1000	---
PY3	1500	50%
PY4	2100	40%
PY5	2625	25%
PY6	3125	20%(approx.)

Cost recovery level of Male Clinic - Chennai

II. *Based on Current Level of activities*

Years	Cost	*Income Per* Consultation	No.of	Income of the module	% age of cost recovery
PY6	6264440	126.56	2879	364366	5.81%
PY7	6890884	134.16	3023	405566	5.89%
PY8	7579972	142.21	3174	451375	5.95%

Notes:

1. *Cost of the module*:

- PY6 – Cost of PY6 is arrived at by extrapolating the actual cost of PY2 at 60% , i.e. percentage difference between budgeted cost of PY2 and PY6.

  Budgeted cost for PY2 = 39.97
  Budgeted cost for PY 6 = 72.80
  %age increase = 82%

- The cost of PY7 & PY8 is increased by 10% over previous year's costs.

2. Income Per Consultation:

Per consultation income has been calculated by dividing the total income of the module by number of consultations. The income of PY2 has been extrapolated @ 6% p.a.

Total Income of Male Clinic for PY2 = 237500
No. of Consultations = 2369
Income per consultation = 100.25
The income has been extrapolated considering that there might be an increase in number of pathological tests or other services provided by the clinic.

3. Number of consultations:

Actual consultations conducted during PY 2 are taken as base and have been extrapolated @ 5% p.a.

Based on Budgets

Year	Cost	***Number of consultations***	***Income per consultation***	**Income of the module**	%age of cost recovery
PY6	7280000	3000	126.56	379680	5.22%

Notes:

2. *Cost of the module*:
   The cost as per the budget is considered.
2. *Income Per consultation:*
   The income per consultation for PY6 as in the case of actual cost is considered as income has not been budgeted.
3. *Number of Consultations:*
   The numbers of consultations have been taken as 3000 per year.

Report on

Financial Management Consultancy

On

Orissa Project, Parivar Seva Sansthan

Funded by : DFID

Volume II : Appendices

Jul-Nov'99

The views expressed are solely those of the consultant and do not necessarily represent the views of DFID.

C o n t e n t s

Volume I : REPORT

MAIN REPORT

Chapter	*Paras*
1. Introduction	1.2 – 1.5
2. Accounting Systems & Internal Controls	2.1 – 2.4
3. Financial Management Planning Mechanisms	3.1 – 3.4
4. Costs of Reproductive Health Services	4.1 – 4.6
5. Cost Recovery Objectives	5.1 – 5.2
6. Role of MSI Financial Management Advisory Services	6.1 – 6.2

ANNEXURES

	Annexure No.
Terms Of Reference	I
Income Reconciliation Format	II
Variance between Budget & Cash Flow forecasts	III
Report Preparation Time as required by PSS	IV
Remittance Flow Charts	V-A & V-B
Cost Recovery Calculations – Female Clinics	VI – A
Cost Recovery Calculations – Male Clinics	VI – B

Volume II : APPENDCES

	Appendix No.
General Correspondence	A1-A43
Comments rec'd on Draft report	B1- B3

Volume II

(Appendices)

General Correspondence

List of documents under GENERAL CORRESPONDENCE

	Subject	Appendix Nos.
1.	Commencement of assignment	A1 - A2
2.	MSI's role	A3 - A8
3.	Workshop Date	A9 - A12
4.	Clarifications from MSI	A13 - A16
5.	Discussions on Workshop Structure & Agenda	A17 – A25
6.	Interactions after the Workshop	A26 – A43

Comments on Draft report

List of documents rec'd as COMMENTS on DRAFT REPORT

Subject	Appendix Nos.
1. From MSI dated 25-10-99	B1
2. From PSS dated 29-10-99	B2
3. From PSS dated 19-11-99	B3
4. From PSS dated 29-11-99	B4